Miracle worker strives for seat in Senate, Page 4

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Monday November 3 1986

EUROPE'S BUSINESS NEWSPAPER

D 8523 B

Swedes protest at Moscow 'bugging'

World news :

Sweden has lodged a formal diplomatic protest to the Soviet Union after reporting the discovery of bug-ging devices in the Swedish Embas-sy in Moscow.

Its written protest said the devices, thought to number 30 or more, were installed when the more, were installed when the building was first put up between 1968 and 1972. It added: "They could not have been installed without the knowledge of the Soviet Union".

The Swedish Foreign Ministry said that while Moscow's conduct was "unacceptable", the bugging was milkely to have damaged Swedish security interests. Swedish security interests.

Soviet anger at Kohl

The Soviet Union called off a visit to Moscow this week by the West German Research Minister in ap-parent retaliation for a Newsweek interview in which Chancellor Helmut Kohl was quoted as comparing Soviet leader Mikhail Gorbachev with Nazi propaganda chief Josef Goebbels. Page 2

Bulgaria silent

Bulgarian media kept silent about details of an accident which killed 17 people on Saturday and injured 19 in the country's main chemical complex near the Black Sea port of Varna. In Basle, 14 people were treated in hospital after inhaling formes from a fire at the Sandoz chemical plant. Page 2

Blow to Chirac

France's Council of State has ruled against two key provisions of the Chirac government's proposals ng the law on French nationality. It said the changes would be contrary to France's republican traditions; Page 20

Canadian row

A political row erupted in Canada over a cabinet decision to sward a major maintenance contract for the Canadian Air Force's newest jet fighter to a Quebec company in-stead of the badder from Western ment of National Defence. Page 4.

Vienna arms talks

Soviet Foreign Minister Eduard hevardnadze arrived in Vienna for talks this week with US Secretary of State George Shultz to study the next steps in arms talks between the superpowers. Page 3

Tripoli shooting

France is watching closely the lat-est developments in the Chad conflict after reports that Mr Goukouni Weddeve, leader of the Libyanbacked Chad opposition movement had been seriously wounded in a Tripoli ambush by Libyan troops.

Basque rescued

Jenaro Garcia Andion, director of police affairs in the Basque autopomous government, was killed when shots were exchanged between regional Basque police and Eta separ-atists holding a leading industrialist in a cave near Vitoria, northern Speta. The industrialist, Lucio Aguinagaide, was freed.

Mozambique denial

Mozambique denied allegations by uth African Foreign Minister Pik Boths that the Soviet plane that creshed, killing President Samora fachel, had obsolete equipment.

Czechs seek asylum

Statem Czechoslovak citizens left the Soviet cruise ship Mikhail Kal-nin after it docked at Hamburg and e have requested political asyhan in West Germany.

Becker wins

Boris Becker won the Paris Open mis tournament by beating unseeded Spanistrd Sergio Casal 6-4, 6-3.76 in the final. It followed victories in Sydney and Tokyo.

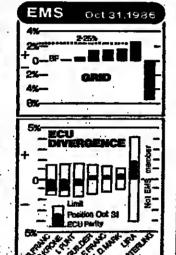
to build plant in **Singapore**

Business summary

Compaq

largest US manufacturer of personal computers, is building a plant in Singapore to circumvent the US-Jaconductor trade pact.

EUROPEAN Monetary System: The Belgian franc finished the week showing little overall change. A weaker trend earlier in the week was reversed as the dollar improved against the D-Mark after better than expected US trade fig-ures. The Belgian franc remained the weakest member, followed closely by the Danish krone but there was no real pressure exerted on the weaker currencies and the franc and krone were trading well



on Buropean Monetary System ex-change rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from which no currency (except the line)
may move more than 2% per cent.
The lower chart gives each currency's divergence, from its "central rate" against the European Currency Unit (ECU), itself a basket of European

TOKYO shares continued down-wards in Saturday's half-day ses-sion as the market met sporadic bargain hunting. The Nikkei average was down 74.04 to 16.836.59 amid light trading ahead of today's national holiday...

JAMES GOLDSMETH and a group of investors have declared a stak of close to 11.5 per cent in Goodyean Tire and Rubber of the US, world's largest tyre maker. Page 24

PRUDENTIAL-BACHE Securities. part of Prudential Insurance Corporation of America, has emerged as the key institution behind the proposed £156m (\$218m) manage ment buyout at UK printing group McCorquodale. Page 9

AUSTRALIA announced a reduc tion in tariffs on imported chemicals and plastics. Page 7

TEXAS AIR, Houston group in the process of building one of the largest airline businesses in the US, said it wanted to reduce its \$298m agreed offer for People Express.

FIAT. Italian car maker, "clarified its takeover offer for Alfa Romeo. ailing car maker, and is confident of beating off the rival bid by Ford.

VEBA, diversified West German energy group, is negotiating to buy a sizable stake in Hapag-Lloyd, the country's leading but troubled ship-ping line. Page 21

CITY SECURITIES, insolvent Sin-

gapore broking house, has been or-dered into liquidation by a Singapore court. Page 24 BRITISH TELECOM privatisation

has benefited big business, led to dearer telephone calls and a poorer service for domestic customers. says the trade union representing

EGYPT appears to be moving towards an agreement with the International Monetary Fund on a package of economic reforms in return for assistance of \$1bn. Page 3

US hostage's release brings hope for other captives

THE WHITE HOUSE yesterday announced that Mr David Jacobsen, a US citizen held hostage for 17 months by Moslem extremists in Lebanon, had been freed and said it was "hopeful" that other American

captives would be released. The announcement came on the eve of the key mid-term elections in the US tomorrow in which control of the Senate by President Ronald Reagan's Republican Party hangs in the balance.

Mr Larry Speakes, the White House spokesman, suggested in House spokesman, suggested in Santa Barbara, California, that Mr Jacobsen's release was the result of longstanding efforts by the Presi-dent and his officials on the hos-

tages behalf.
Mr Speakes also paid tribute to the work of Mr Terry Waite, the Archbishop of Canterbury's special envoy, who has been negotiating to try to free American and other

BY STEWART FLEMING AND LIONEL BARBER IN WASHINGTON AND NORA BOUSTANY IN BEIRUT Western hostages in Lebanon for

over a year. Mr Jacobsen's release only two

days before the US goes to the polls throws a new favourable factor into an election campaign in which the Republicans have been trying to exploit to the full the prestige and popularity of Mr Reagan.

Mr Jacobsen was released early yesterday by the Islamic Jihad group, a militant Shia Moslem faction with links to Iran. He appeared at the largely disnsed US Embassy building in mainly Moslem West Beirut, where Embassy guards said he seemed to be in good health.

Mr Jacobsen was driven across the city's "green line," which divides West Beirut from mainly Christian East Beirut and then flown by a US helicopter to an unnamed destina-

tion, thought to be Cyprus.

His release follows the intensive efforts by Mr Waite, whose latest foray into the Lebanese capital was by US helicopter at the weekend. In Demascus, the Syrian capital Arab diplomats told Reuter that they believed Syria had not been directly involved in what they de-

scribed as Mr Waite's "US-inspired They added, however, that they thought Damascus was advised of the negotiations ahead of Mr Jacob-

Syria, with which Britain broke off diplomatic relations just over a week ago, is the main power broker in Lebanon. It maintains 25,000 troops in the country and has been instrumental in earlier hostage re-

played a key role in the earlier release of two American and three French hostages, and to have help-ed secure the freedom of 39 US passengers on board a hijacked Trans

There are 21 Western hostages still being held by militant groups

The Islamic Jihad group which freed Mr Jacobsen, who was director of the American University hospital in Belrut, is also holding two other Americans, Mr Terry Sandford Anderson, a journalist, and Mr Thomas Sutherland, who was dean of the university. The Islamic Jihad also holds three Frenchmen.

It appears that the two Americans still held by Islamic Jihad are those the US hopes will be release

BY HUGH CARNEGY IN DUBLIN

Islamic Jihad said yesterday: "We announce to world public opinion the American people and families of hostages that we have freed American David Jacobsen. We hold the American people: responsible for not taking advantage of this chance by continuing what it has al-World airliner at Beirut last year. ready begun with overtures that could lead, if continued, to a solu-

tion of the hostage problem."

Of the remaining 21 hostages thought to be held in Lebanon, seven are American, nine are French, two are British, one is Irish, one is Italian and one is South Korean. In all 65 foreigners are known to have been seized by militants in Lebsnon since January 1984. Of these 32 were freed, six were killed and some others escaped.

> Continued on Page 20 Iran-Iraq war dominates Gulf Arab summit, Page 3

Race for control of **Senate** hangs in **balance**

By Lionel Barber in Washington

WITH just 24 hours remaining be fore America goes to the polls, the battle for control of the US Senate has turned into a cliffhanger.

The Republicans have been ex-ploiting President Ronald Reagan's popularity and their vastly superior financial resources to the full in a last minute effort to swing the elec-

The announcement yesterday of the release of Mr David Jacobsen. one of seven Americans held hostage by Moslem extremists in Leba-

non, could boost Republican chances on the back of a wave of There is little doubt that the

while house has been pushing as hard as possible to secure the release of the hostages before the mid-term elections, indeed some of the diplomatic pressure which is being exerted on Syria by the US and the UK may well have been designed to speed the negotiations. Syria is believed to have some influence over the terrorists.

Democrats and Republicans were

out in force over the weekend in a last minute effort to break the deadlock in a race which is judged too close to call even by the most seasoned political analysts.

The outcome rests on up to 13 states. The Republicans, who hold a 53-47 edge in the Senate, are struggling to hold on to at least seven seats. The Democrats, aiming to recapture the Senate after six years as the minority party, are confident of sneaking a slender victory.

Political analysts said there could even be a 50-50 tie, in which case Vice-President George Bush would cast his vote to give control to the

The main prize in tomorrow's voting is the Senate committee chairmanships and the power to sched-ule legislation, though parties will argue that it sends a signal for the 1988 presidential campaign.

The tight race for the Senate has overshadowed the congressional elections where all 435 seats in the Democratic-controlled House of Representatives are up for renewal, Il as 36 norships.

The vulnerable Republican seats

are in Alabama where Senator Jerimiah Deuton, a Vietnam war hero. is in difficulty, in hard-hit farming states such as North and South Dakota, and Idaho, Washington, Nevada, North Carolina and Florida. Key Democrat seats rated as pos-

US defends AT&T's bid to take over French phone group

a concerted effort to try to overturn munications equipment. These a Franco-German attempt to pre- products, he said, formed part of a Franco-German attempt to pre-vent American Telephone & Tele-AT&T), the American telec-cations group, from con-which could result in the foreclograph (AT&T), the American teleccluding a deal to take over the CGCT telephone company of

As part of the campaign, the US authorities have launched a diplo- most open market in the world and matic initiative, calling in both the West German and French envoys to the State Department, while con-ducting similar discussions at am-bassadorial level in Europe.

In addition, Washington is threat-ening to impede a US sales drive by Siemens, the West German electronics group, which is believed to have received substantial backing from Bonn in a counter-bid for CGCT. Mr Mark Fowler, chairman of the

Federal Communications Commission (FCC), the regulatory body for the US telecommunications industry, recently wrote to the seven large Bell regional operating com-panies asking for details of purfuture deals.

available for future action. The US. Government agency, he insisted, This agreement would give the had the authority under present new French-led joint venture a

THE US Government has launched cause it was selling "core" telecomthe regulated rate base.

> sure of a significant proportion of the European telephone market to American suppliers. I want to remind Europeans that we have the that this is an egregious example of efforts by certain European countries to close their markets to American companies."

Mr Fowler said the FCC was working with the US State Department, the Department of Commerce and Mr Clayton Yeutter, the Special Trade Representative, to support the AT&T bid for CGCT. The US Administration he says, fears that if Siemens wins the day in France it will give an impetus to the protec-tionist forces in Congress, where some senators have already been examining the details of the bidding for CGCT.

Behind the US moves lie a complex battle over the future of a subchases from Siemens and possible stantial part of the European tele communications market caused by He said in an interview that the the deal under which Compagnie FCC would be prepared to take Générale d'Electricité (CGE) of tougher action if necessary, and France is taking over the telephone that it had a "menu of options" switchgear interests of ITT of the

law to act against Siemens, which is large stake in the West German currently pushing hard into the market through Standard Elektrik market for public telephone switch-gear with the regional American of ITT, which holds about 40 per telephone operating groups, be-

SINN FEIN, the political wing of the Irish Republican Army, last-night voted at its annual conference gear market. In response to this deal, the US authorities believe that to take up any seats it wins in the the West German Government is Irish parliament, overturning one of its most fundamental policies trying to force the French to allow Siemens to take over CGCT, which and setting Sinn Fein-IRA strategy controls around 16 per cent of the on a new course. French telephone exchange mar-

Although Mr Fowler concedes that AT&T, which had bid for CGCT in collaboration with Philips of the Netherlands, has signed a formal agreement with CGCT, he says that the details of a deal had been worked out. AT&T was to begin supplying its switches to CGCT, he said, and in return would purchase microwave equipment from the French. "We would be very concerned where there is this magnitode of coercion in deciding who is the successful bidder," he added.

Siemens in the US refused to comment on the letter from Mr Forter saying that it could not dis-cuss US or West German government policy. But it pointed out that the company employed 22,000 people in the US and spent \$2.2hn in the country. is from Paris: Des

pite support for AT&T from the French telecommunications authority, the Direction Generale des Telecommunications (DGT), as well as from the French Industry Minister and the Minister for Posts and Telecommunications, Mr Jacques Chirac, the Prime Minister, has tended to lean towards Siemens.

and CGCT would form a European partnership in the telecon

appeals from Mr Gerry Adams, the current President, that the issue should not split the movement as a similar proposal did in 1970.

had no military wing.

of feuding before and we are not go-ing down that road again. The move to drop the policy of abstaining from the Dublin parlianent, which dates back to the partition of Ireland in 1922, was sought by the Northern Ireland dominat leadership to build broader political support for Sinn Fein in the Irish

yesterday's heated debate and said in a speech before the vote was de-

clared "We've been down the road

The change was approved by 429 votes to 161, giving the leadership, which proposed the move, the required two thirds majority of all Republic and thus complement the legates present by a margin of 10. campaign of violence by the IRA Dr Garret FitzGerald, the Irish against British rule in the north. Prime Minister, said that the Sinn Sinn Fein will continue to boycott Fein vote created an unprecedented British and Northern Ireland parposition in which a party committed

Sinn Fein votes

to take seats in

Irish parliament

to "a brutal campaign of violence" sought election to Parliament. He The dual "ballot box and Armalite" policy has developed strongly said all democratic parties had an absolute obligation to join together within Sinn Fein since it rode a tide to ensure no Sinn Fein candidate of nationalist sympathy during the 1981 hunger strikes in which 10 Re-publican prisoners starved themwas elected, and if any was, to pledge not to depend on them for elves to death in Northern Iresupport in Government unless Sinn land's Maze jail. Fein renounced violence. Yesterday's change was bitterly opposed by Mr O'Bradaigh and his After the result was announced, a group of dissenters walked out of the conference, led by Mr Ruairi

supporters, who regard it as an abandonment of fundamental Sinn O'Bradaigh, former Sinn Fein presi-Fein principles. They also argued dent. They later announced the setting up of a new party, called Repu-blican Sinn Fein, chaired by Mr at it would inevitably weaken the IRA's military campaign as more effort would have to be channelled David O'Connell, a former leading into winning elections. IRA man, but they admitted they In his speech on Saturday even But most of those who voted against seemed to heed repeated

ing, which began and ended with standing ovations, Mr Adams stressed that the IRA had endorsed the change at a recent secret convention and that it would continue to fight British rule. But by neglecting conventional political activity Mr Adams pointedly went to the movement had been shake Mr O'Bradaigh's hand during from ordinary people. the movement had become isolated

Continued on Page 20 Democrats hope for Philadelphia miracle, Page 4

Japan welcomes exchange rate agreement with Washington

BY CARLA RAPOPORT IN TOKYO AND STEWART FLEMING IN WASHINGTON

JAPANESE business leaders have Initial reaction to the accord was welcomed the exchange rate stabilisurprise, followed by measured apsation agreement announced on proval. Mr Akio Morita, chairman Friday by Mr James Baker, US of Sony Corporation, said at the Treasury Secretary, and Mr Kiichi weekend that the accord was "quite Miyazawa, Japan's Finance Minissignificant because it shows the ter. Mr Miyazawa said at the week- US recognised that exchange rate end that the joint statement on eco- instability has a bad effect on businomic policy had been suggested by ness activity.

Mr Baker in late September in Mr Tadahiro Sekimoto, president

been the cornerstone of Mr Baker's ment is of "great significance" if it efforts to fend off protectionist legislation in Congress.

Agreement with Japan alone is also regarded in the US as likely to ments of many business leaders,

put additional pressure on West however, when he said that the cur-Germany to take further steps to rent yen-dollar exchange rate of stimulate its economy, even though the West German economy is at pan's point of view. present growing faster than Ja- . Most industrialists and econo-

dicated that the present yen/dollar continue to grow. Any stronger exchange was "broadly consistent" with underlying fundamentals. Jamy could move into stagnation or pan and the US listed the steps they were taking to promote growth and reduce global trade imbalances, and promised to co-operate on exchange

tional monetary conference

of NEC, one of Japan's largest elec-Economic policy co-operation has tronics companies, said the state-

means the yen is not going to rise any further against the dollar. Mr Sekimoto echoed the senti-

mists believe that Y170 is the level The joint statement on Friday in- at which the Japanese economy can than that, they say, and the econo-

Mr Miyazawa said at the week-

Baker in late September in Wash-

ington, at the time of the interna Friday's statement, which re-

viewed various monetary and fiscal goals of each government, was the result of more than a month's discussion, he said. For Japan, it outlined the Govern-

ment's Y3,600hn (\$22.5hn) supplementary budget to help stimulate the economy, the proposed tax re-form plan and the fourth discount rate this year. For the US, the statement listed Washington's commit ment to steady reductions in the budget deficit, the recently enacted tax reform and its efforts to resist protectionist measures.

Meanwhile, Tokyo's normally volatile stock market reacted quietly to the news in Saturday's trading. Share prices drifted down, the Nikkei stock average losing 74 to close at 16,839. The market will be closed today for a national holiday. In the US, where attention is fo-

cused primarily on outcome of tomorrow's mid-term elections, the announcement of the accord has end that the joint statement on economic policy was suggested by Mr

Editorial comment, Page 18 Continued on Page 20

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- Wall Street 38, 39 London 34, 35 Unit Trusts 31-34



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Management: perversity or perceptive-Editorial comment: Japan-US accord; European co-operation 18 BBC under fire: defusing Mr Tebbit's bomb 19 Lombard: Stirrings in the savings market 19 Brazil: economy proves suitable case for Singapore Section III

TAKE A DEEP BREATH

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OVERSEAS NEWS

Schlumberger

FUITSU AND SCHLUMBERGER ANNOUNCE INTENT TO FORM NEW U.S. COMPANY

New York, New York, October 23 — In e joint statement today, Fujitsu Limited and Schlumberger Limited ennounced an egreement in principle to expand the Falrchild Semiconductor operations by integrating the Fujitsu U.S. semiconductor business (Fujitsu Microelectronics Inc) and certain other Fujitse European semiconductor operations. Fujitsu will own approximately 80%, end Schlumberger will own approximately 20% of the new U.S. Internetional company. Under the terms of the agreement in principle, Fujitsu will make a substantial equity Investment in the Fairchild company. The company will have a board of director composed of Fujitsu and Schlumberger representatives as well as other U.S. executives.

Domid W. Brooks, president and CEO of Fairchild Semiconductor Corporation, who is to be eppointed as president and CEO of the expanded Fairchild company, said, "The company will provide an international network of Fairchild and Fujitsu technologies, products and services. Current Fujitsu and Fairchild customers will benefit from the expanded prodection capability end enhanced research and development resources that will be resident in all the major

The consummation of the agreement in principle is subject to execution of definitive agreements, compliance with governmental requirements and approvals of the boards of directors of Fujitsu and Schlumberger.

Schlumberger

RESULTS FOR THE THIRD QUARTER Schlumberger Limited reported a third querter loss of \$42 million or \$0.14 per share, compared to \$208 million or \$0.70 per share carned in the same period last year. Third quarter revenes was \$1.29 billion versus \$1.56 billion, e year ago.

Third quarter results include unusual items relating to gains from a legal settlement with Data General, as well as from sales of a part a legal settlement with Data General, as well as from sales or a partimerest in another company; these gains were substantielly offset by reorganisation and personnel termination charges in the oilfield services and electronic groups as well as provisions for losses on

Euan Baird, Chairman, Indicated that third quarter results were primarily affected by the continued drop of olifield activity worldwide, mainly in the United States, the North Sea, West Africa and Latio America. He also said that consolidated U.S. operations continued unprofitable resulting in an increased tax loss carry-

Oilfield Services revenue was \$551 million, down 43%, Measurement, Control and Components revenue was \$590 million, up 23%. Orders were \$563 million, up 23%. For the nine months of 1986, net income was \$161 million compared to \$724 million earned in 1985 and revenue was \$4.29 billion compared to \$4.89 billion.

compared to 34.09 billion.

Today, Fujitsu Limited and Schlumberger jointly announced an agreement in principle to integrate worldwide Fairchild Semi-conductor operations and Fujitsu U.S. semiconductor business and certain of its European semiconductor operations. Fujitsu will own approximately 80%, end Schlumberger approximately 20%, of the new U.S. company. Schlumberger expects to report e fourth quarter loss on this transaction of approximately \$200 million pending final determination of the terms of the definitive agreement. Interested persons may receive e copy of the quarterly report by writing to-

Schlumberger Limited Communications Department 42, rue Saint-Dominique 75007 Paris, France

World value of

the pound ruesday in the

FINANCIALTIMES

Bulgarian chemical disaster kills 17

By Leslie Colitt in Berlin A SERIOUS accident at a Bulgarian chemical plant on Saturday killed 17 persons and injured 19, many seriously, according to the Bulgarian news agency BTA. The accident occurred at the sprawling chemical complex in Devnya, 30 km west of Varna, the leading Bulgarian port and a resort centre on the Black Sea.

BTA said a government commission had arrived at the plant to determine the cause of the accident and to see how normal work could be resumed. No details were given on the nature of the accident or whether pollution was released.

The report of the accident followed an earlier ann ment that several senior officials in the chemicals industry were relieved of their posts because of "in-competence." It said they were unable to cope with problems in the industry. A group of specialists under Mr Dimitur Dachev, the first deputy chairman of the State Planning Commission, took over administration of the

industry. The Bulgarian Communist Party in recent months has sharply criticised had management and widespread corruption in leading indus-trial companies.

FINANCIAL TIMES

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David Marsh and Peter Bruce meet a key figure in Kohl's re-election campaign

CDU politician who shoots from the hip

offer terrorists judicial im-munity if they testify against reward for quitting Chile, according to Mr Heiner Geissler, the man at the centre of Chancellor Helmut Kobl's re-election campaign.

Mr Geissler's latest intervention in the controversy over anti-

terrorist laws comes on top of a row ha already caused at the end of last week in Boun by labelling opponents of the new legislation "accomplices of mur-

Mr Geissler, general secretary of the Christian Democratic Union (CDU), the senior part-ner in the Bonn coalition government, defended the plan to enable terrorists to give "state'a evidence" as giving members of the terrorist scene

"a chance to leave."
"It would also increase the
mutual distrust of people in the
terrorism network. It's the same their accomplices are essential terrorism network. It's the same and are comparable to giving with peopla like Pinochet and President Augusto Pinochet a Duvalier (the former dictator in Haiti) — they need to be given asylum somewhere in the world to allow them to leave their

> "If Pinochet were offered
> DM 4m and given a place on
> a nice island somewhere, it
> would be a good thing for
> democracy in Chile," Mr
> Geissler said, "In tha same way, the French did well to offer exile to Duvalier to allow him to leave Haiti."

> The Boun Government's plan, decided last week and due to come into force before Christmas, to tighten up and extend the country's anti-terrorist laws, has sparked considerable criti-cism not only from the Oppo-

to justify the new measures, however, comes as no great surprise — for two reasons. First, the CDU general secretary — No 2 in the party hierarchy since 1977 — is a seasoned practitioner of the art of using colourful and controversial language to get his political barbs across.

A man renowned for shooting from the hip, whose words and actions can move in contorted patterns, Mr Geissler has been labelled by the SPD as West Germany's most "perfidious"

Three years ago, he compared the West German "peace move-

in Third World countries run by rightwing dictatorships. Partly, it must he said, to correct his image in the eyes of middla ground voters, Mr Geissier made well-publicised

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(SPD) but also from the Free Democratic (SPD), the junior partners in the centre-right government.

Mr Geissler's analogy of President Pinochet in his bid to justify the new measures,

Tha January election would not be "a children's tea party," but be was confident the pre-sent coalition parties can win and was in his normal slugging vited form, hitting out both at the SPD's candidate for the Chancellorship, steadfastly refuses any idea of a coalition

BMW

The confident the proposition parties can what the street on the continuous at least 54 per cent of the votes. Even though his friends and enemies alike know him as a man of ambition, he disdains any idea of returning after the election to the Government, where he was Minister for Youth, Family Affairs and Health between 1982-85.

Counting all the federal states, he says: "There are fuses any idea of a coalition to the Government, where he was Minister for Youth, Family Affairs and Health between 1982-85.

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Counting all the federal states, he says: "There are fuses any idea of a coalition to the Government, where he was Minister for Youth, Family Affairs and Health between 1982-85.

Moscow cancels Bonn visit

THE Soviet Union has cancelled a visit to Moscow this week by Mr Heinz Riesenhuber, the West Mr Heinz Riesenhuber, the West German Research Minister, in apparent retaliation for an interview given by Chancellor Helmnt Kohl in which he com-pared the public relations skills of Mr Mikhail Gorbachev, the Soviet leader, with those of Josef Goebbels, the Nazi propa-ganda chiof. ganda chief.

In an urgent attempt to heal what could yet become a major what countries, if between the two countries, Mr Kohl has made what amounts to an apology to Moscow, while also accusing the US magazine Newsweek of not quoting him properly. "I very much regret it and categorically distance myself from it (the comparison," be

General Secretary."
Newsweek published an interview with Mr Kohl last month. in which he is quoted as saying of Mr Gorbachev: "He is a modern communist leader who understands public relations. Goebbels, one of those responsible for the crimes of the

Hitlar era, was an expert in public relations too." The Government claims Mr Kohl said, in German, "He knows something about PR. Goebbels also knew something about PR."
The extent of Boon's blunder, though, is explained by News-

planned to use.
At the weekend Mr Juli
Kwizinski, Moscow's Ambassador to Bonn, met with Mr
Wolfgang Schäuble, the bead of
the West German Chancellery,
and Mr Hans Dietrick Conscher and Mr Hans Dietrich Genscher. the Foreign Minister, last Thurs day to discuss the apparent insult. Mr Genscher was also

trying yesterday to soothe ruffled feathers, telling a party meeting in Hamburg that Germans should take Soviet efforts at disarmament seriously and be conscious of the " milweek's clarification of who Goebbels was, because this was lions of dead that the people of the Soviet Union lost through

actually added to Mr Kohl's Hitler's invasion."

step up pressure on Tokyo says in an interview to be published today. "It was not my spokesman, Mr Friedhelm Ost, intention to insult the Soviet who was checking for accuracy the quotes Newsweek said it

BY ANDREW FISHER IN MUNICH

EEC governments should put the US, but not reduced home more pressure on Tokyo to output, "they are forced to ease access to Japan's car try to sell their products in market by removing non-tariff barriars, said Mr Eberhard von Kuenheim, chairman of BMW.

This year has seen a sharp Kuenheim, chairman of BMW, the West German manufacturer whose luxury models are the best selling imports among

Japanese drivers. BMW's business in Japan has been rising sharply, with sales up by 35 per cent in the first nine months to around 11,000 cars. But Mr von Kuenheim said it was not fair that Japanese non-tariff practices still hindered imports. Because Japanese car makers

rise in Japanese car sales to Germany. Imports account for about 30 per cent of the total market, with the Japanese market share alone exceeding 15 per cent. Japanese imports do not

threaten BMW's home market share, which actually went down slightly last year to just over 8 per cent, but Mr von Knen-heim said the time had come for the EEC to persuade Japan had built up new capacity in to drop trade barriers.

Italy may reach

Bankers assess Turkish currency changes

ISTANBUL bankers were yes- corporate current deposits kept deposits which are held for terday trying to assess the con- in an account for more than a more than a month, the Central sequences of new regulations announced late on Thursday by the Central Bank, The new rules include a 2.3 per cent devaluation of the Turkish lira against the US dollar and restrictions on selling rates for

foreign currency,
In addition, the Central Bank
has allowed a first cautious
step towards deposit rate competition, by allowing some competition between banks on

month

The new rules appear to end banks' freedom since last Marc's to set their selling prices within a margin of 1 per cent of the Central Bank's daily rate for foreign currency.
In practice, rates to importers have been largely

determined by negotiable com-missions of around 34 per cent, By allowing banks to com-pete for rates on current

Bank evidently hopes to en-courage a flow of funds back into the banking system. But the move is also seen as

the first step towards allowing competition on term deposits. Istanbul bankers also said that the revisions of the foreign exchange system looked like a signal from the acting governor of tha Central aBMk, Mr Zekeriya Yildirkm, that he was still in charge.

inflation target RETAIL PRICE inflation con-tinued to fall in Italy last Mr Yildirim, regarded as the architect of Turkey's new month, confirming that the Cov foreign exchange regime since ernment's target of a 6 per cent average for the year could be within reach, John Wyles reports from Rome. 1983, is currently locked in battle with Dr Rutsu Saracogiu, another deputy governor and

economics advisor to the prime According to Istat, the statistical institute, prices rose in October at an annual rate of minister, Mr Turgut Ozal, for the succession of Mr Yavuz Canevi who was appointed head

5.1 per cent.
The average inflation rate for of the Under-secretariat of the the previous 13 months has Treasury and Foreign Trade, fallen to 6.8 per cent from 7.1 last week.

Australia ANZ Bank HQ, Caltex, Electricity Trust of S. Austr., Ford, ICI Network, John Fairfax, Westpac Bank. Austria Alfa Laval, Kurier, Wienerstädtische Versicherung, Österreichische Mineralöl-Vervaltung. Belgium Proctor & Gamble, Université Libre de Bruxelles. Brazil Ministerio de Educação e Cultura. China Fuzhou Railway, Ministry of Metallurgy, Nanhai East Oil Co. Nanhai West Oil Co. Colombia Aeropuerto de Medellin. Denmark BP, Danfoss A/S, Novo, PLM Haustrup, Privatbanken, Rank Xerox, Tuborg. Finland Digital Equipment Corp, Enso-Gutzeit Oy, Kansallis-Osake-Pankki, K@ OY, Kuopio City, Oy Electrolux Ab, Oy Stockmann Ab, Indonesian Airways P.T., Rauma-Repola Oy, Sanoma Corp. State Railway

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> التدويين الوكامة . . 기업은 호

Shultz MR EDUARD Shevardnadze the Soviet Foreign Minister, yesterday arrived in Vienna where he will meet Mr George Shultz, US Secretary of State, this week to study the next steps in arms talks between the superpowers, Renter reports from Vienna.

The two men were expected to consider how to build on the results of the October 11-12 summit between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader. that narrowly failed to reach a major nuclear disarmament agreement.

Soviet chief

in Vienna

to meet

An intensive round of diplomatic contacts was certain as Mr Shevardnadze, Mr Shultz and 33 other foreign ministers and 33 other foreign ministers gather for the opening of a follow-up meeting of the Conference on Security and Cooperation in Europe (CSCE).

"The Vienna meeting of the CSCE could not have come at a better time," the Soviet minister said in an arrival statement.

He is due to meet Mr Shultz for two hours on Wednesday

afternoon and two-and-a-half hours on Thursday morning before both men hold separate news conferences. Mr Shultz is due to arrive on Wednesday Referring to the CSCE meeting, Mr Shevardnadze said: "The international situation

approval given by the IMF Board for the beginning of an assistance programme demands of us effective and early next year. immediate action and the results of the Reykjavík summit The way would then be open for Egypt to ge to the stimulate us to evaluate anew European and world realities." open for Egypt to ge to the Paris Club to seek a compre-hensive rescheduling of its official debt. Its largest creditors include the US, France and Spain, which have lent billions of dollars for He quoted Mr. Gorbachev as saying e new political thinking was needed to guide humanity

towards lasting peace and co-operation. The Soviet delegation was arms purchases. prepared to work with all the European countries, the US and IMF and World Bank teams are now in Cairo for Canada in Vienna to achieve "important and positive discussions on a rescue operation for Egypt's ailing economy. The twe organisa-

Comecon chiefs consider reform

Prime Ministers of the Communist trading group, Comecon, meet in Bucharest tomorrow under the shadow of harsh criticism by Mr Mikhail Gorbachev, the Soviet leader, Reuter reports from Vienna.

Western diplomats said the ministers were expected to consider ways to overhaul the group's structure as Eastern Bloc states seek to modernise their stagnant or alling economies.

Troops open fire. Army troops opened fire yesterday on rioters in Karachi who clashed repeatedly with police Hospital officials said at least seven people were killed and more than 30 injured in the third day of ethnic rioting in Pakistan's largest city, AP reports from Karachi.

Sudan protest Four students and e policeman were injured in Khartoum yesterday when police fired bullets and tear gas to disperse

demonstrators protesting against cising prices and food short-ages, Reuter reports from Khartoum. Witnesses said the students hurled stones at the police who then opened fire.

Nato march

Thousands of people marched through Madrid yesterday in protest against Spain's membership of Nato, Reuter reports from Madrid.

Socialist Government of violating the terms of ing the terms of a referendum held last March in which Spaniards voted to remain in Tato but outside its military

Tunisians vote

Tunisians voted yesterday in general elections boycotted by the opposition and certain to result in an overwhelming victory for President Habit Beinguiba's ruling Destourian Socialist Party (PSD), Reuter reports from Tunisia. Only 15 independent candidates are challenging

Air settlement British Caledonian and the Nigerian Government yesterday Nigerian Government years and settled their five-week dispute over a new fave structure for the profitable west African seate, writes Michael Holman. The airline suspended ticket sales in the local currency when the naira was devained by 68 per cent in September, pending greement on new fares. Pas senger traffic on the route fell by nearly 30 per cent. BCal

return fare had risen 94 per

STATE PREMIER UPSETS POLL PREDICTIONS TO RECORD GREATEST TRIUMPH

Sir Joh romps to victory in Queensland

QUEENSLAND'S right-wing Netional Party, led by Sir of the 89 seats in the state maverick Premier, upset all local predictions by securing enough seats in the assembly. Labor had won 27 and the Liberals 10. The last enough seats in the assembly enough seats in the state assembly. Labor had won 27 and the Liberals was inevitable.

Instead, he did better than onslaught, launched in the last enforced this means he should to blame the gerrymander for its performance, while the Liberals pointed to their lack of resources to combat the Notionals' expensive advertising on the Liberals was inevitable. Australian state in its own right.

The result, Sir Joh's greatest

Cairo heads

for \$1bn

agreement

with IMF

By Tony Walker in Cairo

EGYPT APPEARS at last to

be moving towards an agree-ment with the International

ment with the International Monetary Fund on a package of economic reforms in return for assistance totalling about \$1bn (£714m) over three years. Egyptian officials hope that an agreement in principle can be reached with the IMF this month and final approval given by the IMF

The latest IMF study of the Egyptian economy

reported that foreign debt

had reached \$38.6bn by the middle of this year. Arrears on debt service payments exceed \$4m.

The IMF is asking Egypt to liberalise interest rates, increase energy prices, and unity its multi-tiered ex-

change rate, bringing about an effective devaluation. Last week, Egypt appeared.

to move towards a unified rate when it announced that

Egyptian officials abroad would have their salaries and

allowances calculated at a rate of E£1.88 to the dellar.

This is close to the free

market rate of R£1.90 to the

exchange include E£1.35 to the dollar — the so-called

tourist rate - and E£0.70 to

the dollar, used for budgetary purposes to calculate the cost of strategic imports such as

Western observers in Cairo believe that Egypt'a serious financial difficulties leave it

ittle choice but to make an arrangement with the IMF.
"I think they're really out

of money, and this has con-centrated their thought processes," said one official.
The IMF report said that
Egypt's "usable" foreign

exchange reserves are down to \$600m. This is sufficient cover for less than one

Mexico expects

By William Orme in Mexico City DESPITE THE failure of pri-

vate ereditors to approve

Mexico's \$6bn fresh money request before the IMF-imposed October 31 deadline, Mexican officials said the loan will be granted and partially

mexico now expects the required 90 per cent of the commercial loan — a "critical mass," in IMF terms — to be subscribed by mid-November, Gustave Petricioli,

Finance Minister, said on

The IMF and World Bank would then begin to release Mexico's multilateral leans, while the first private credit disbursement would be made a month later, Mr Petricioli

Jopan, which has agreed in principle to give Mexico another \$1bn in financial aid, has also made its lending con-

Thursday.

loan approval

this month

month's imports.

counting resumes today.

The Netionals secured their victory with less than 40 per cent of the popular vote, undervictory in 18 years as Premier, lining the support it received gives him three more years in from the Queensland gerryoffice and represents e setback mander, a demarcation of for both the Liberal and constituencies which heavily Labor parties, in the state and favours rural-based parties.

Local analysts and pollsters higher percentage of the vote hinted that Mr Howard should than the Nationals, was quick consider stepping down.

in 1983, when two Liberals had to be persuaded to cross the floor in order for the Nationals to secure a clear majority. Prior to that, the Nationals and Liberals had ruled Queensland in coalition for 26 years.

few days of the bruising elec-

tion campaign. Mr Bob Hawke, the Labor Prime Minister, said the result spelled disaster for Mr John Howard, the Liberals' national leader, Senior National Party figures in Queensland also

that a return to coalition with of resources to combat the fied recently about the national motionals expensive advertising ambitions of Sir Joh, 75. He constaught, launched in the last reinforced this by saying on the constaught of the constaugh Saturday night that the "onslaught on Canberra" was to start immediately.

Mr Howard said the result was a disaster for the Labor Party, which had failed to improve its showing in Queensland and had received a vote against it of between 55 per cent and 56 per cent.



Sir Joh: three more years

Iran-Iraq war dominates Gulf Arab summit meeting

states yesterday began a summit meeting of the Gulf Co-operation Council, with the Iran-Iraq war the top item on their agenda, Reuter reports from Abu Dhabi.

The summit, the seventh since the GCC was founed in 1981, is due to discuss ways of ending the war and of protecting oil and shipping interests of the six member states from Gulf war attacks. The GCC groups Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the United Arab

Emirates.

The Emir of Qatar, Shelkh Khalifa Bin Hamad al-Thani,

in or near UAE or Qatari waters.

be discussed.

battered over the last year by month called for free naviga-the plummeting price of oil, tion through the Gulf. said in an interview published the plummeting price of oil, yesterday that attacks on ship-their main source of revenue.

LEADERS OF six Gulf Arab ping in the Gulf constituted World oversupply pushed down leaders are likely to discuss a "very serious escalation" of the price of a barrel from \$30, joint measures to protect ship-the conflict now in its seventh when the leaders last met a ping. These include a proposed year.

Nearly 70 merchant vessels, mostly tankers, have been hit by either Iran or Iraq this so-called "tanker war" was as year, against 46 for all of 1985.

Many studies have taken place this so-called "tanker war" was as year, against 46 for all of 1985.

Some delegations to the of this threat is that it is being summit included old ministers. Abdullah Bishara, GCC secretary general, said developments in the oil market and their party to the conflict," he said. He called for international threat the second of this threat is that it is being directed against civilian ships and tankers passing into and the conflict, and the called for international threat threat is that it is being directed against civilian ships and tankers passing into and ta The most dangerous aspect of this threat is that it is being e discussed. efforts to implement a United of its three days to economic GCC economies have been Nations resolution which last issues as the leaders discuss

Diplomats say the GCC

six states.

The summit will discuss imcalled for development of a Gulf arms industry, bilateral and unilateral manoeuvres and joint weapons purchases. ment The summit will devote one said.

Among Arab issues on the agenda are Saudi mediation efforts between Syria and Iraq, ping. These include a proposed last month's Arab League can of coverage by Saudi-owned Airborne Warning and Control to unity Palestinian factions.

AP adds: The summit would account issues. examine six economic issues, mainly focusing on proposals to allow GCC citizens to invest in commercial and industrial proplementation of a joint defence allow GCC citizens to invest in strategy opproved last year in commercial and industrial pro-Muscat. Sheikh Khalifa said it jects in all member countries and to have access to loans from all government-owned banks and industrial develop-ment banks, conference officials

Adoption would mark the latest in a series of steps toward creating the Middle East equivalent of the European implementation of a 1981 agreement to consolidate their

Opposition leader in **Chad 'shot** in ambush

By Paul Betts in Paris FRANCE IS watching closely developments in the Chad conlict after reports at the weekend that Mr Goukouns Weddeye, leader of the Libyan-backed Chad opposition GUNT move-ment, had been seriously wounded in Tripoli.

Relations between Mr Goukoni Weddeye and Colonel Gadaffi of Libya have been deteriorating lately. One of Mr Goukouni Weddeye's aides said he was shot by Libyan soldiers in an ambush in Tripoli last week.

The divisions in the Chad opposition and the rift between Col Gadaffi and Mr Goukouni Weddeye could pose problems for France in central Africa, diplomatic observers in Paris suggested at the weekend.

France retains about 1,000 soldiers in Chad as well as Jaguar aircraft to help defend the country against Libyan incursions. Despite Libya's incursions. Despite Libya's agreement two years ago to pull out its troops from northern Chad, Tripoli is widely believed to have continued to maintain o presence in the north.

Since the rift between Mr Goukouni Weddeye and Col Gadaffi, Mr Hissene Habre, leader of Chad, has been seek-ing to launch an initiative to try to recapture the north



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Air force deal sparks Canadian political rumpus

sectors has pushed the region's

resource-based economy into recession while the industrial heartland of Ontario and

Quebec enjoys strong growth.

the contract award last Friday

technology from the CF18's US

supplier. McDonnell Douglas.

Ministers denied the decision

was politically motivated.

The Government defended

BY BERNARD SIMON IN TORONTO

A BIG political row has erupted in Canada over a cabinet deci-sion to award a C\$1.4hn (£716m) maintenance contract for the Canadian Air Force's newest jet fighter to a Quebec company instead of the Western Canadian bidder Canadian bidder by the National

In what is widely interpreted as a bid to shore up the ruling Progressive Conservative Party's support in Quebec, the Federal Government has chosen Canadair, the Montreal-based companies around to according 199 aerospace group, to service 138 new CF-18 fighters.

Defence Department officials had supported a lower tender submitted by a consortium led by Bristol Aerospace of Winni-peg, a subsidiary of Rolls-Royce, the British engine maker. on the grounds that Canadair is a wholly-owned Canadair company and, whike Bristol, is an aircraft manufacturer which can make better use of

The decision to give Canadair The decision to give Canadeant the 20-year contract has deeply angered western Canadian businessmen and politicians including Tory caucus members. It has inflamed the regional animosities which are never far from the surface in Cana-

Venezuela 'will not pay bank's foreign debt'

VENEZUELA will not take responsibility for an esti-mated \$400m (£285m) ewed to foreign banks by a bank-rupt privata commercial bank, Banco de Comercio, accord-Mr Howard Pawley, Premier of Manitoba, said the award "was based on the most crude, ing to newspaper reports yesthe most crass of partisan con-siderations."

Citing unnamed sources close to the Central Bank, the reports indicated that the debt of Banco de Comercio and its subsidiaries, all of which was intervened by the Government in June last year, Bristol officials warned that the intrusion of politics into tendering would discourage foreign investment at a time when the Government was try-ing hard to attract it. was contracted by its former owners before the authorities Resentment has been building up in western Canada against what is seen as an intook over the institutions. Thus it is not a Government adequate federal response to the decline in oil, gas and grain prices. The slump in these

Foreign banks have been pressing the Government for payment of the bank's off-

payment of the bank's offshore debts since it was taken
over to avoid its collapse.
The Government's epinion
now appears to be that it has
no legal responsibility to pay
the debts and that the foreign
bank's should pursue the
bank's former ewners, principally Mir Juan Vincente
Perez Sandoval.
In the past, bankers said,
they received assurances from
government officials that some
plan would be worked out for plan would be worked out for paying off Banco de Comer-cio's foreign debts.

Lionel Barber in Pennsylvania on a contest that has aroused national interest

Democrats hope for Philadelphia miracle

is the nearest shade to green Longer-term, Pennsylvania's an American politician can get. population grew only from 9.5m He is liked by anti-nuclear to 11.9m from 1930 to 1980, He is liked by anti-nuclear groups, loved by the environ-mentalists, pro-choice on obor-tion and boasts one of the most liberal voting records in Con-

But here is the rub: for 12 years ha has represented a heavily Republican-registered district in Philadephia's suburbs. Among his overwhelmingly young campaign workers be is known, therefore, as the

Tomorow he will have to work another miracle by overcoming a 15 to 20 point deficit in tha polls to become Pennsylvania's first Democratic senator for 24

The race for Senate, and for governor, has aroused national interest because it takes the temperature of a large industrial and farming state in search of a new identity-

Pennsylvania used to symbolise American industrial muscle. The country's first oil field was found here. The state was known as the Saudi Arabia of coal and its name was synony-mons with steel.

THERE IS a religious intensity about Congressman Bob Edgar's campaign for Senate in Pennsylvania.

Mr Edgar, 43, a boyish-looking ordained Methodist minister, lost 267,000 manufacturing jobs.

Longonterm Pennsylvania's properties of the state has a conserver pennsylvania's properties. In the past six years the state has a conserver pennsylvania's pe one of the smallest rises among the large states.

On the positive side, service industries have plugged some of the job gaps. The unemployment rate is below the national average, et under 7 per cent. Mid-sixte, the dairy farms have been newbern pass as hard hit been nowhere near as hard hit as the crop farms in the mid-

that pollution in Scranton, the old anthracite town in the north, is so had that people have to boil their water.

His answer is Rooseveltian public works programmes, with a fresh twist. He blocked in Congress, on the grounds of inefficiency, several pork barrel waterway projects of the sort favoured by old Democrats bordering the Mississippi delta. He argues that the state should put up some of the cash and

the ideas before picking np federal aid.

opponent, Senator Arlen Spec-ter, who squeaked into the Senate in 1980 and has been running hard ever since. Even Senator Specter's supporters concede that he would take the pork, the barrel and anything Coogressman Edgar likes to tell listeners that one third of America's dilapidated bridges, 31,000 of them, are in Pennsylvania. He also reminds them that pollution in Scranton.

He has been an original in less obvious areas. A former less obvious areas. A former district attorney from Philadelphia who gained a seat on the Senate judiciary committee, Senator Specter, 56, has applied his prospectorial skills to investigate Josef Mengele, the dead Nazi; to intervogate Ms Linda Lovelace, the retired pornography star; and to question Mr Bernard Goetz, the New York subway vigilante.

Senator Specter voted regu-

larly against President Reagan its name to the earlier men-in the Senate. His favourite phrase is "It'e not easy being a Republican in Pennsylvania," which, coming from a former perment wines true. So when

Democrat, rings true. So why did he swap political horses 20

years ago?

In the 1950s and 1960s the Democratic Party in urban Pennsylvania (and elsewhere in the US such as Chicago) was dominated by Irish and Italian Amaricans with strong Roman Catholic family ties and, sometimes, a stronger streak of corruption. The ethnic barriers facing Jewish liberals such as Mr Specter were formidable. Joining the Republicans and tackling corruption was a sure way of making e name for oneway of making e name for one-self.

Signs of change

Today, the Democrat machine has lost its vigour. Philadelphia has its first black mayor, Mr Wilson Goode. Mr Edgar beat the machine's first choice in a hard-fought primary. For the first time in years, the party is not running a split ticket between Pittsburgh in the east and Philadelphia in the west.

On the Republican side, there are signs of change too. The slight favourite for governor is William W. Scranton III, son of a former governor and descendant of the family which gave

tioned anthracite town.

Mr Scranton, jumor, 39, dabbled with drugs 20 years ago and five years later endorsed George McGovern for president while playing ponytaited newspaper publisher with family money. Now he is a clean cut yuppe figure whose new generation" theme is atmanting high-technology inconstruction to the state of the second to be accessed.

Mr Screnson's opponent is known as "the real Bob Casey." Mr Casey was thwarted twice for office in the 1970s when two namesakes tagged on to his popularity. His father was a miner, he has eight children and at strongly anti-abortion. Having run three times and lost for the Democrat's guber-natured nomination, he has some similarity with hir Specter who lost three state political races in a row before making it to Washington.

This reveals a leason in Pennsylvania politics: the best chance of winning in such a big state is by losing a few times. Mr Edgar, despite raising about \$4.5m (£3.2m) for his campaign, is probably not well enough known to overhead Mr Specter. Mr Scramton, thanks to his name, has an advantage and so it looks as if Pennsylvania will split its vote for the old and the new, a nest expression of a state in transition.

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AFTER THE BIG BANG WE SUGGEST A LITTLE POP.

has settled, you may be interested t flotations after October 27th. p's, in early November. Virgin is a and entertainment group, with a multiturnover, employing some 1600 operating in 17 country ontiets across Street Megastore in 'sunrise' businesses videe. Now, Virgin enii 01-200 0200 now-

US anti-apartheid challenge to Shell

BY TERRY DODSWORTH IN NEW YORK

THE US anti-spartheid move-ment is planning to step up its attack on corporate invest-ment in South Africa by intro-ducing shareholder resolutions at the next Royal Dutch Shell annual meeting in Europe. The resolutions will call for

the oil company to stop celling petroleum products to the country's police, military or other government agencies, While similar resolutions have become commonolace in the US, this is the first time that US anti-spartheid cam-pagners have attempted to bring pressure on a foreign-based multinational.

Officiale said they will be attending Shell's annual meeting in the Netherlands next year to support their stand. The US anti-apartheid move-ment has been increasingly concerned that the divesime of US companies in South Africa was being undermined because some of the chandoned

by other foreign groups. The mein sponsor of the move against Shell will be the New York City Teachers' Re-tirement System, one of the

It is being supported by the It is being supported by the Interfeith Centre of Corporate Responsibility, an inter-denominational religious organisation, and the United Mineworkers of America union, which has recently been active in organisms. ing a US boycott of Shell products.

THREE motor industry unions THREE motor industry unloss have called on foreign companies withdrawing from South Africa to "bear the brunt of the results of apartheid" by making sure future earnings of local employees are guaranteed when the companies sold, AP reports from Johannesburg.

The joint statement, re-leased at the weekend by the National Automobile and Allied Workers' Union, Metal and Allied Workers' Union, and Motor Industry Combined Workers' Union, condemned General Motors South Africa for his Intention to sell its plants, dealerships and parts stores to local managers, which will be identified today.

Mr. Eric Wollman, project manager in the New York controller's office, the depart-ment responsible for administering local authority funds, has convincing evidence that Shell has been supplying the police and military in South

So far, Shell has not re-

sponded to the request to table the resolution. If it does not socept the motion, Mr Wollman says it is likely that the con-trollers' office will go to court in America to get it on record This is a tactic which the controller's office has used proviously with some effect used effect against both domestic and foreign companies in battles to make its voice heard

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Brighton Evening Argus

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What Mrs Thatcher's closest friends are wondering is whether, as the signs suggest, she is begin ning to suffer from metal fatigue.

The Grauniad

A remittance prince? While the British press speculates that Prince Andrew is heing sent to Lakefield College School to help Canada through a constitutional crisis, our sources tell us that the real reaxon for the prince's being sent to Cannadda in midderm is that heb ang bis ng \$!((prondi tic456— % BNOThb;t cppty whilh bhenn e9090 ()() wheh issen't too sprising to those who know the boy's private interests

Toronto Sun

Kit Patterson, Carlisle's clerk of the course, says: "The prospects for racing are very remote. There is snot and frost on the course and we will hold an inspection at noon tomor-

Herald Express

courses.

in September.

LEWISHAM Leisure Centre is

about to launch a new set of

but one containing sex sessions -

GIBSON (Life Baron, U.K.), Richard Patrick Tallentyre Gibson;

CIBSON (Like Baron, U.K.), Echan Panez Intelligible (1986), Ct. 1975.

Son of Thornely Carbutt Gibson, B. Feb. 5, 1916; ed. Eton and Magdalen Coll. Oxford; m. July 14, 1945, Elisabeth Dione, d. of Hon. Clive Fearson. London Stock Exchange 1937. Served Midde. Yea. 1939-48 (N. Africa 1940-11; P.O.W. 1941-43; Spec. Operations exec. 1943-45. Political Intelligence Dept., Foreign Office 1945-46. Westminster Press 1947, Dir. 1948. Dir. of Whitehall Securities Corpu. 1948-60 and 1973. Dir. Financial Times Ltd. 1957, Chrimn. 1975. Dir. Economist 1957. Dir. S. Pearson & Son 1960, Dep. Chrim. 1969. Chrimn. Pearson Longonan 1967. Chrimn. Arts Council of Great Britain 1972-72. Chrimn. elect National Pront. Cross-Bencher. Adalysis, The Lord Gibson, Penn's Rocks, Groombridge, System. Brooks's and Garrick Cluts.

Publishers Correction

1978 Edition of

Dod's Parliamentary Companion

Reference to Lord Gibson's biography

on page 122; for National Front read

NATIONAL TRUST.

DOG KENNEL, suit medium sized dog.

Good condition. Very turdy. Buyer col-

lects £9.99. 19 Beaupre Ave, Outwell, after

Wisbech Standard

The operation to trap the

gang began on Friday when a

man arrived from Morocco on a

car ferry His car was followed

The Granniad

to Prestwick where police

6 pm or weekends.

ponced.

begins at the centre in Rennell Street

Each of the weekly courses — all

Lewisham Outlook

Perhaps the only disappoint-ment of the championships from the British point of view was the defeat of Ade Mafe in the 200 metres at the hands of that good American sprinter Mel Lattany It was in this Conford stadium th time last year that Ade first hit the headlines by eating Latteny but yesterday he was not m tuned for another big race so soon after his silver medal perforce in the world indoor ga in Paris last weekend.

GREENWOLD, Florence May. — Late of 163 Bergholt Road, Colches-ter. A simple, kind, and loving old lady who died with great dignity at 'Ambleside', Wood Lane, Fordham Heath, Colchester on Saturday, April 3, 1982 at 3.10pm. Loved by far and friends who knew her will.

Essex County Standard

The conference's attitude was indicated by the almost total lack of applause after Wilson's 30-minute speech while Engineering Union leader Bryan Stanley was greeted with sustained crapping when he put the anti-common market case.

Times of Zambia

HOW dare Ian Craig report that the Conservative party conference was inspired by speech."

(Mrs) M E Booth, Clayton.

FOOTNOTE: Sorry. A technical fault. It should have read "dest" instead of

Five thugs last night pulled the British passenger ship Capetown Castle clear of the sandbank on which she went aground at Flushing early yesterday.

Irish News and Belfast Morning News

· MADRID, (R) — Catholic nuns of the Mission of Jesus, Mary and Joseph with a television success behind them and Mother Superior Francisca at the guitar, are bidding here for fame and fortune in the pope charts.

Dead-eye Stewart Fraser, who got three against the league of Ireland recently, attempted a chit from 20 yards, but was so wide of the target that he actually found Carlyle with his attempt. The outside-right was so surprised at the "pass" that he made a mose of his shot at made.

PISSOLES AND CHIPS

Richard Burton to teach English at Oforxd

The Scotsman

THAT OLD black magic has finally worked its spell on Highgate's own wicked witch David Farrant. He has fallen in love — and he says he's giving up witchcraft for ever. The girl who has lured Farrant away from midnight rituals in Highgate cemetery is 26-year-old Nancy O'Hoski.

Grimsby) Hornsey Journal

On the bottle

A bottle of whisky and a bottle of sherry, together worth £3 16x were stolen by a gurglar who forced a window of a house in Granfield Avenue, Radcliffeon-Trent, last night.

Nottingham Evening Post and Standard

Thought For Today

The whle wrod is in a state of chassis, -Sean O' Casey

The Rising Nepal

While sympathising with the miners and arguing the British government could have acted to end the strike, Jessica Larive-Groenendaal (Neth) said she and her Liberal colleagues could not support a strike called without

European Parliament News

Dapper eloquent Mr. Thorpe strenuously charges that, with three other accused men, he plotted the murder of Normal Scott, who claims that he and the politician were once homosexual lovers.

Athens News

United goalkeeper, Stepney, went full length to save from Rector and then, in the 18th minute, saved an almost cer-tain goal when he bravely died at the feet of Davies.

The Gloucester Citizen

Enkalon is to get £1,500,000 via the Northern Ireland Office to keep the textiles and carpet yarn factory open for another seven moths

The Daily Getelarph

During the month of May, Henekey's steak bar willbe supporting the Mayor's appeal for £45,000 towards an Emisonic Scanner for Windsor's King Edward VII

For every customer who dies in the bar during the month. 20p will be donated towards the

Staines Informer

Arresting sight

SUPER-SLIMMER PC Michael Sykes, from Bradford, Yorks, has gone from 16; stone lo 15 stone. He says: "The hardest thing is that every advert on TV seems to be for food.

"But my wile has joined me and that's helped. She's lost half a stone in a wee."

The Sunday People

TRIOMPHE. 92, Champe-Elysées, Bal. 45-76.
Mo George-V. Seances 14h, 16h 18h, 20h.
22h, Film : 25 mn après, Sam, et veilles de fêtes : séance suppl. à 24h, Pl. : 14 F. C.O. EMMANUELLE (English Sta

L'Officiel des Spectacles (Paris)

GREG NORMAN, hot favourite for the Card Classic at Royal Portheawl, missed a five-inch putt on the 11th green yester-

The blind Australian tried to tap in the tiddler one-handed but hit the ground with his putter and enly just moved the

Sporting Life

Spandau secret diaries

By ALBERT SPEER

Spandau: The secret diaries" will be ooe of the outstanding books of 1976. Extracts will appear only in THE will appear only in HUNDAY TELEGRAPH.

QUALITY CONTROL IN PRINGING **Short Course 11-13** October 1978.

PETER Daisley of Daisley Associates Limited, consultants in Quality Management, is again collaborating with the London College of Printing in organising a Quality Control in Printing short course.

Journal and Graphic Review

LORD Snowdon greeted Princess Margaret as she flew into Heathrow today with a welcom-

Evening Mail

Lights test aims to spot dyslexia

As he follows lines of print, the normal reader moves his eyes jump, stop to absorb one or eyges jump, sop to absorb one or more words, then jump again. The fast reader will make shorter stops and fewer jumps, taking in more words more quickly than the slow reader.

The Sunday Times

PALACE, S cc. 01-437 6834. From Sept. 17. The Pabulous New Production of OKLAHOMO!

The Times

SHEFFIELD UNITED yebsterday became the first of those teams at the top or the bottom to have their fate settled when they were relegated to the Second Division. United's First Division life, slowly ebbing away since the start of the season, came to a painful end at Tottenham, where they were hammered 5-0 through goals by Willie Young, John Duncan, Steve Perryman (2) and Fartin

The Sunday Times

Make no mistake - Epson printers are the most reliable type in the world.

The only time they ever strike is when their print heads hit the paper. The superb-quality LQ2500 will do this 200 million times before it gives out, and even the most basic model can manage 100 million.

An Epson will always make sure you look the part but with any other printer, you could end up looking the prat.

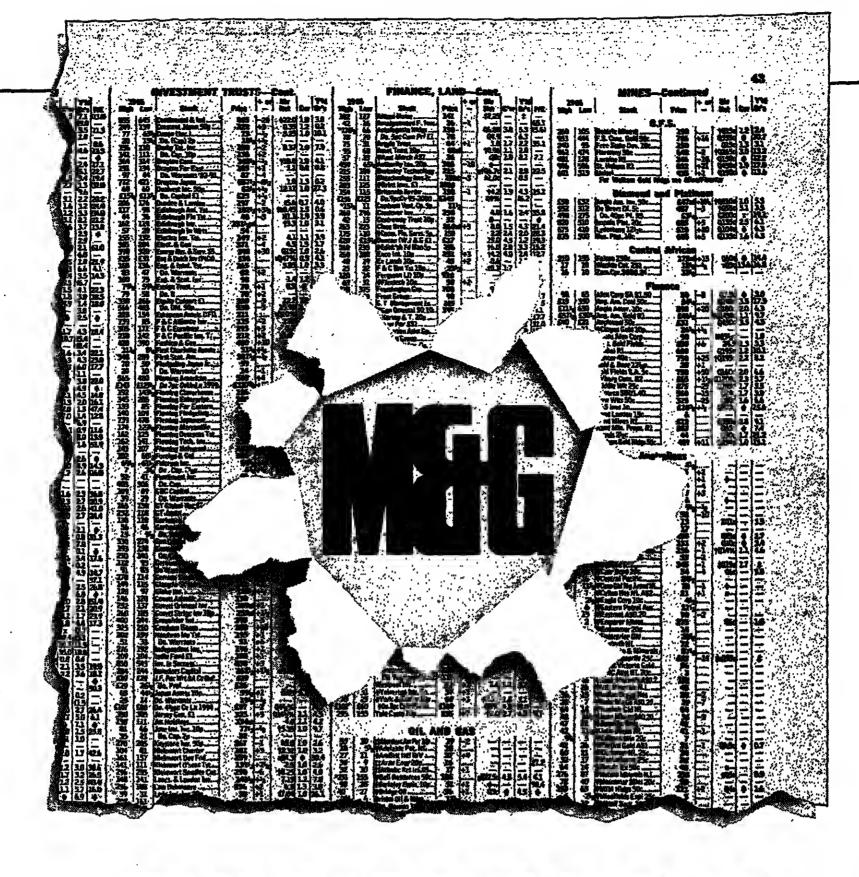
EPSON

For further information on the Epson computer printer range, either: write to Epson (U.K.) Limited, Freepost, Birmingham B37 5BR; call up Prestel *280#; or dial 100 and ask for Freefone Epson.

S. ...(1),

man and the second

Service State



Soon, 28,000,000 shares in M&G will be made available to the public

Within the next week, Kleinwort Benson intends to offer for sale 28,000,000 of the ordinary shares it holds in M&G Group P.L.C.

During the past 55 years, M&G has grown to become one of the leading investment management companies in Britain.

M&G launched the country's first unit trust in 1931, and is today the largest unit trust management company in the United Kingdom.

M&G has developed other aspects of personal finance, too. Savers and investors can choose from a wide range of personal pension and life assurance plans. In addition, M&G manages the investment of exempt pension funds and charities, and overseas funds.

M&G concentrates on long-term investment management, does not intend to diversify into unfamiliar activities, and always maintains a characteristically independent approach.

Above all, M&G maintains the highest possible standards of service to its customers and intermediaries.

To register your interest in the forthcoming share offer, and to reserve your copy of the offer for sale document, which will include an application form, complete and return the coupon.

Or telephone 01-388 1966 today.

issued by kleinwort benson limited on behalf of kleinwort benson lonsdale pic

REGISTER YOUR INTEREST TODAY

Group offer for	e, without obligation, the M&G r sale document when available. TE IN BLOCK LETTERS)
(™E) Mr □ Mrs □	Miss 🗆 or (write) title
Forename(s)	<u> </u>
Surname	
Address	
	
	<u> </u>
·	Postcode

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Australia cuts chemical and plastics tariffs

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN Government has announced a reducin tariffs on imported chemicals and plastics as part of a restructuring of the pro-tected domestic industry.

F 3 1393

The move follows a report from the Industries Assistance Commission which highlighted a number of anomalies in the spiriting tariff structure which had distorted investment decisions and led to inefficiencies. Chemical and plastics users have welcomed the changes, which cut the top tariff from 45 per cent to 15 per cent over a three-to five-year period from next February. But pro-

ducers are unhappy.

The decision is significant be-The decision is signficant because it has been made by a Labor Government worried about jobs as it heads for a general election due by 1988. The party is already resisting action to cut tariffs protecting the textiles, clothing and footwear industries.

goods, soap and small detergent packs.

Fecing a cut from the top rate of 45 per cent to 15 per cent is high-density polyethylene resin, while caustic-sode duties are to be slashed from 40 per cent to zero or 2 per cent.

wear industries.

The chemicals and plastics industry is estimated to have a combined turnover of A\$10bn per cent.

Meanwhile, in a eeparate but related development last week, the Government said it would establish an anti-dumping tribunal to monitor the import of goods at less than their transport value. (£4.4bn) annually, and accounts for some 10 per cent of manuturing employment.

Job losses are e certainty in

SHIPPING REPORT Tanker market confused by Yamani's departure

BY KEVIN BROWN

THE REPLACEMENT of Sheikh Abmed Zaki Yamani by Mr Hisham Nazer as Saudi Arabian Oil Minister threw the tanker market into confusion at the end of last week, and brokers said prices would continue to move erratically until confidence returned.

Ironically, the upset in the market occurred just as an increase in activity was beginning to make some incoads into the surplus of

inroads into the surplus of available tonnage waiting to lead in the Guif.

E. A. Gibson, the London shipbrokers, said about 14 very large and nitra-large crude carriers had been fixed during the week, though rates benefited only slightly.

Owners were said to be far were, said to be fine-partially, ixanging from were said to be fine-partially.

Worldscale 20, comparing and to the said rates for ships in the range from 100,000-125,000 dw tonnes were up to 20 per cent below the levels of a month ago.

Time charter rates for ships in the range from 100,000-125,000 dw tonnes were up to 20 per cent below the levels of a month ago.

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Time charter rates for ships in the range from 100,000-125,000 dw tonnes were up to 20 per cent below the levels of a month ago.

rates of rather less than 20

rationalisation

five years to 1992.

per cent.

proper value.

accompanies the latest changes

goods, soap and small detergent

previously.

Some increase in rates was also reported for mediumsized tonnage of around 130,000 deadweight tonnes, with the market reaching Worldseale 37.5 for discharge in the US and Worldseale 40 for Europe.

There was rather less activity in the dry cargo markets, which has been affected by the recent weakness in the tanker market.

General Dynamics beats Northrop to fighter deal

BY RODERICK ORAM IN NEW YORK

GENERAL DYNAMICS has prototype of the next generation beaten Northrop to a bitter and of combat aircraft which Northbeaten Northrop to a bitter and of combat aircraft which Northrop 270 fighter aircraft to the US Air Force for more than \$3.5bm (£2.4bm). As a consolitation prize, Northrop was awarded a design study for a fighter to come into service in the 1990s. The Pentagon cut costs by choosing an upgraded version of General Dynamics existing F-16 which Northrop had developed at a cost of about \$1bn.

This decision could mean the end of the F-20 programme which was Northrop's Ill-fated of combat aircraft which Northrop will design in conjunction with McDonnell Donglas. The Pentagon will chose between it and a competing model to be designed by a team consisting of Lockheed, General Dynamics and Boeing. Production contracts ultimately worth some \$35bm will go to the winner of this second contest. Under the F-16 contract, General Dynamics will update existing F-16A aircraft at a cost of \$658m. The fighters, to be designed by a team consisting of Lockheed, General Dynamics and Boeing. Production contracts ultimately worth some \$35bm will go to the winner of this second contest.

Under the F-16 contract of \$658m. The fighters, to be designed by a team consisting of Lockheed, General Dynamics will update existing F-16A aircraft which Northend of the F-20 programme used by all 11 Air Netional which was Northrop's ill-fated Guard squedrons in the US, are attempt to produce an inexpeniate of the country bowning or the cou

sive modern fighter which would against incoming enemy bombary bounds. It has yet to attract estaryer.

Many features of the F-20 could be used, however, in the intended to defend the country against incoming enemy bombers.

The updated aircraft in turn will be replaced in their present squadron by new F-16C aircraft at a cost of around \$3bn.

Fokker near end of talks for F-100 fanjet order

FORKER, the Dutch aircraft manufacturer, said it was near amounted to 40 F-100s with options on a further 60. He would not give details before a F-100 fanter aircraft, adding that its F-50 propjet model was manufacturer, said it was near completion in its negotiations for a large order for its new F-100 fanet sireraft, adding that its F-50 propjet model was also being considered for a farther order, Reuter reports from Americans.

farther order, Reuter reports
from Amsterdams.

A Fokker official said negotistions for a firm order of an maspecified number of F-100s with further options were being moderation with Guinness Peat diviation of Ireland, the aircraft fracting group, and Spectrum fasting group, and Spectrum ATR-42, produced jointly by ATR-42, produced jointly by Agrances Mitsubishi Trust and France's Aérospatiale and France's Aircspatiale and Sash-Benking Corporation.

The Fokker official declined Scania's comment on Dutch media re-

In London, a Spectrum Capi-tal official said it was hoped the

Aérospatiale and Alitalia, and Saab-Saab 340 model, he Italy's Scania's

World Economic Indicators

INDUSTRIAL PRODUCTION

		(1980 =	(00)		% change over previous
-	Sept. 86	ADg. 86	July 86 115.0	Sept. 85 114.4	+0.8
-	115.3 Aug. 86	115.2 July 8 6	June \$6	Aug. 25 108.1	+21
	110.4 105.2	109.8 108.1	107.5 109.6	103.4	+1.7 +1.0
887	102.4 97.4	193.1 99.0	101.4 102.7	101.4 97.4 July 85	+0.2
ing deriv Anders	July 86 122-3	june 86 122.5	May 86 122.1	124-1 101-7	-1.5 +3.0
.	104.7	194.2 Sou	.100.7 rae (excapt i	JS, Japan):	

OVERSEAS NEWS

It will take time for 20m citizens to appreciate their rights, Bob King reports

Taiwan looks to future without martial law

AN OLD MAN remembers among the population, going down to the harbour in Despite heavy damage to the 1945 with hundreds of his island's industry and infrafellow-Taiwanese to welcome structure from Allied bombing tha Chinese who along with their allies had just defeated Japan and returned Taiwan to Chinese rule.

The excitement turned to dismay as the troops disembarked. Far from the cultured beings

but the Government hopes its decision will bring increased they had expected, the ships contained the dregs of Chiang Kai-shek's forces on mainland investment and activity with a net gain in employment. The main thrust of the new China: soldiers who could not be counted on to fight when attacked, officials whose repolicy is to reduce tariff levels to a maximum long-term rate of 15 per cent. General rates on basic chemicals will be cut liability was questionable. to 10 per cent or lower over

saw them," the old man said.
"Their uniforms were ragged, Rates below 15 per cent on finished and intermediate goods, however, will be lifted to 10 or 15 per cent from January 1988. Such affected items include nylon and acrylic greeks from the control of the their manners were terrible. They looked like country bump-kins. A lot of them acted like they had never even seen e bicycle before."

Thus began Taiwan'e asso-ciation with the Chinese from

the mainland and things were to get a lot worse before they got better last month, when the Nationalist Government lifted martial law after nearly 40

years.
The Chinese from the mainland were compared unfavour-ably with their earlier Japanese conquerors by the Talwanese. The Japanese had built transport networks, brought in Most personal rights guaran-industry, and introduced more teed by the 1946 constitution universal, if basic, education were suspended, and remained Their strict laws ensured public so until it was decided last

during the war, Talwan's indus-try and standard of living in 1945 ranked far shead of that in China.

The relativa wealth created friction between the new occu-pation forces and the Taiwanese. Although some tales undoubtedly apocryhpal, people have related how soldiers invaded classrooms and robbed students; while others insist that some officials ruled Taiwan like a private fiefdom, stripping "We were shocked when we sell on the mainland black market.

The abuses culminated in The abuses culminated in what are known as the 2-28 incidents; when a planned delivery of a petition of grievances to officials in 1947 turned into a bloodbath. Survivors recall seeing the dead stacked up at the railway station and others tell of peace by the control of the c of people killed or maimed at random by maddened troops. When Chiang Kai-shek him-self arrived in 1949 with some of his more reliable supporters, things began to improve. The Nationalists set about trying to popularise their government in exile through such means as land reform. But in 1949 Chiang also declared martial law.

order and a law-abiding spirit month that the Communist



rebellion and the presumed threat to the Government had

But the most serious threat the past four decades martial law has helped the Nationalists to retain their martial law has helped the Nationalists to retain their martial law has for years incited disaffection among the people and has helped produce an image of Taiwan es just ment has in recent years another "banaha republic." responded to its critics by Although the last hostilities between China and Taiwan took place in the 1950s, Nationalist hardliners have until recently been able to persuade decision makers, as well es many of the 20m Taiwanese that the threat still exists, and to justify martial law's limiting on e visit "fell" from e build-

of basic rights on the grounds of national security.
But the most serious threat

predict what the ultimate effect would be.

PEKING has responded to Taipel's decision to lift

dered the six-year-old twin daughters of a prominent dissident while he was in fail ewaiting trial on sedition martial law by saying that "in fact it should have been removed long ago," Bob charges. Two years ago gangsters acting on orders from the head of Taiwan intelligence murdered a Chinese-American

The Foreign Ministry state-ment claimed the authorities euthor and journalist in the US. Censors still regularly black over the simplified Chinese had used martial law to "control and suppress the ordinary people of Taiwan under the pretext of resisting characters now used on the mainland whenever they appear in foreign publications circu-lating in Taiwan, and reporters and editors at major publi-Peking also noted that Taiwan plans to draft legisla-tion to incorporate some parts of the military previsions of marial law, and thus did not cations know enough to censor themselves on certain sensitive

It is not as bad as it used to be, when publications that even mentioned China were confiscated and few people dared to discuss either Communist or Mr Saturnino Ocampo and Taiwanese dissidents except in Mr Antonio Zumel, two comslogans condemning them. Over munist negotiators, said they

Aquino studies rebel truce offer

PRESIDENT Corazon Aquino's Government was yesterday elosely studying an unprecedented 100-day ceasefire offer made yesterday by Philippine communist rebels, Reuter reports from Manila.

A presidential palace source said Mrs Aquino, who has actively pursued peace efforts since coming to power in February, had not commented on the truce offer.

Mr Joker Arroyo, presidential executive secretary, said the Government's peace emissaries would discuss the rebel offer with other officials before the palace makes known its posttion.

the past few years the Government and the people have loosened up considerably—which the decision to repeal martial law firmly underlines.

It will take Taiwan's citizens porarily ending hostilities.

These include disarming the Government's paramilitary units, confining police to peace-keeping functions and dismant-ling private armies and death squads.

squars.

Mr Joan Ponce Enrile, Defence Minister, has attacked Mrs Aquino's soft approach towards communist rebels who have been fighting the Government since 1969.

PRESS RELEASE.

14th September, 1986.

Magnapix has today anocucced the release of their latest film, "Giving and Taking". A block-buster of a love story set in wartorn Europe, it's directed by William Healey and stars Jim Roberts, Philippa Baldwin and Karl Kretschmar-Schuldorff.

Based on the best-selling autobiography of Belinda Ballantyne, "Giving and Takiog" tells the story of a young Englishwoman (played by Beldwio) who is married to a German (Kretschmar-Schuldorff). When war breaks out, he is drafted and eventually sent to the Russian

WWZ Heroism.

During the years to come, Baldwin has more to cope with than three children; the Allied bombing, the neighbours' hostility and the authorities' suspicions. She also meets, and falls to love with, a Capadian Intelligence officer masquerading as a Swiss cultural

When Kreischmar-Schuldorff loses his legs to a partisan'e granade and is sent home, he begins to suspect that Baldwin is having an affair. But that is only half the truth - she is also actively engaged in helping Roberts with his espionage work.

Whilst under the influence of home-made schnapps, Kretschmarneighbour, who is, unfortunately, an informer (played by the great old character actor, Tim Baynes). Baynes discovers that Roberts is a spy, and loforms on both him and Baldwin.

Self-Sacrifice.

Confronted by the hurt and angry Kretschmar-Schuldorff, Baldwin and Roberts confess their anti-Nazi activities, just as the Gestapo arrive outside their apartment building to errest them. Kretschmar-Schuldorff, in order to distract the Gestapo and give Baldwin, Roberts and the children time to escape across the roof, drags himself over to the window and throws himself out.

In a recent interview on the set of his next film, William Healey, the director, spoke at some length about "Giving and Taking". "I think what first attracted me to the story was the sheer scale of the human sacrifice involved. First, you have old Kretschmar-Schuldorff defending his country, although he disagrees with the policies of the Nazi party. Then Baldwin and Roberts risking their own-lives to spy for the Allies. And finally, of course, Kretschmar-Schuldorff making the ultimate sacrifice, for his wife and the man who had stolen her love."

press release

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Magnapix's Latest

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World War 2 Herolsm_

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The bare facts.

All dressed up.

At a brief glance, these two sheets are very different. The one on the right looks worthy of closer inspection — it appears to have interesting information to convey. Whereas you could be forgiven for conveying the one on the left to the rubbish bin.

Of course, they both say exactly the same thing. But it's the way they say it that makes the difference. And the "well-written" one was composed on the Apple™ DeskTop Writer System.

An integral part of that system is the software known as Microsoft Word™ This is what allows you to use various typefaces, in different styles and sizes. It enables you to insert footnotes and

headers in your document. It paginates the entire document by itself. And used in conjunction with other software, it permits the inclusion of graphs, illustrations

But those are just the technical facts. More importantly, it helps you

and spreadsheets.

communicate your ideas in a clear and compelling fashion. Whether they be contained in a presentation, a brochure, a newsletter, or a humble memo. And if you use Apple's LaserWriter™ to print out your work, you'll have an artwork-quality piece.

You can buy the Writer System now at the special price of £2,995 — a saving of £470 off the list price. Then you have a choice of printers: either the ImageWriter II™ or the LaserWriter.

If you'd like to try it out

first, a Test Drive is easily arranged. For more information, post the coupon, dial 100 and ask for Freefone Apple, or contact your local Apple Dealer.

Vame	
Company	
Address	
	Postcode
elephone	FT/3/11

The power to succeed.

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mood.
Fatigua had not dented his customary affability nor affected his sharp sense of humour. "It's well known that I don't need as much sleep as the generality. I can get by on a long run of four to five hours a night." And to prove it, out came e little juridical joke in Latin, explained without the least condescension to his less erudite visitor.

There can be little doubt that

erudite visitor.

There can be little doubt that
he prefers being Foreign Secretary to his previous job of
Chancellor of the Exchequer.

"I think its the greater variety, "I think its the greater variety, the greater exposure to surprise, which is not as comfortable as it sounds. One of the things about Chancellors is that almost everything forms part of a seamless web and, if you adjust the deposits on hire purchase contracts in Cardiff, you end up having consequences on income tax rates in Carlifiele.

"In foreign affairs, although there are greater coherences, there are great unpredictables and suddenly something hapand suddenly something hap-pens in a corner of the world about which neither you, nor anybody else has been thinking for a long time and which has interest as well as shock value."

That taste for the unexpected and adventurous may come as

and adventurous may come as a surprise to many people who tend to see Sir Geoffrey as an intelligent, honest and very capable statesman, but hardly as an exciting politician. Whatever the high esteem he is held in by his colleagues at home and ebroad, his officials and journalists who know him well, the Foreign Sorretary appears the Foreign Secretary appears to have e problem in projecting himself to the public on tha

When this is suggested to him, he bridles in uncharacteristic fashion. There is a kind of self-repeating, self-ulling templies repeated. filling 'public perception,' which is based upon an endless repetition of old press cuttings," the impertinent sceptic is told.

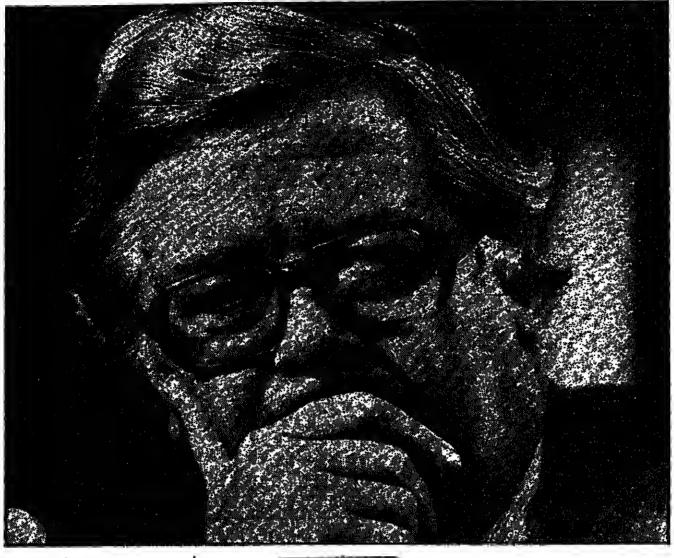
my impression is that the going round the mining valley and steelworks that were part ings, in factories around the country as a Cabinet minister, or party conferences, react to one with a certain degree of affection and responsiveness, which is totally belied by this bizarre self-fulfilling press cuttings book."

My impression is that the going round the mining valley and steelworks that were part days, everybody who met me, whether they were Labour councillors or whatever, friends of my father's who had been there a long time, always greeted me on Christian name terms. We were delighted to ha on that basis."

tion in his dealings with subformer Soviet Foreign Minister
ordinates and the world in who is now his country's Presigeneral ara matched by a
genuine and infectious human most forbidding gentleman to
warmth and understanding, meet across tha negotiating which extends even to those table, who have been rude to him.

native Wales that these unsus-pected qualities are particu-larly in evidence. "I think that, York, the Foreign Secretary in political terms, the thing I waited until coffee came round

"When I fought my first two speak."



INTERVIEW

Never say no

Sir Geoffrey Howe's taste for the unexpected and adventurous

may come as a surprise to many, writes Robert Mauthner

elections in 1955 and 1959 in my home seat of Aberavon, going round the mining valley there a long time always greeted me on Christian name terms. We were delighted to be on that basis."

Arogance is one thing of His acute interest in peopla which Sir Geoffrey certainly helps Sir Geoffrey to deal with cannot be accused. His unfailing courtesy and consideramers. Mr Andrei Gromyko, the

Yet Sir Geoffrey seems to flud It is when he talks about his him almost endearing and has walter in the terms of the walter about twales and the Weish background is that it delicate question of human always has been e genuinely rights. "Now, what about the case of Sakharov?" Sir Geoffrey many people present England asked Mr Gromyko, hoping that he wanted not work to the same of the case of Sakharov?" he would not switch to "auto-

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THE ECONOMIC BASE

establish themselves in

country. Low overheads,

surroundings in the

"Ha scowled at me and said: hang around on the doorstep, 'Sakharov Sakharov? that is or do you get the next plane the Russian word for sugar. No, or what?

President Botha)."

In the end — and that is his great strength as a political

Sir Geoffrey describes the qualities needed by a Foreign Secretary as a mixture of patience, judgment, good humour and toughness. He has needed them all in equal quan-rities in recent months, particu-larly during his tour of southern Africa last summer.

its policy in front of the assembled British and local Press in Lusaka? The thought had crossed his

mind, he admits. But he re-membered a story from the cultural revolution in China when diplomats frequently walked out of receptions. "On ona occasion an Iron Curtain diplo-mat was so affronted that he mada a determined dash for the door. He pulled aside soma curtains to make his exit only to find a wall in front of him. It was profoundly humiliating. It's all very well walking out, but

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"One of the things that struck me at the end of the whole mis-sion (to southern Africa) was that more people were im-pressed by one's patience in face of what was said than would have been by storming out for the saka of a moment's drama." The whole southern Africa

Why did he not walk out of the European Community to Geoffrey about nuclear arms when President Kenneth try to persuade President P. W. control, a subject on which he Kaunda of Zambla intember Botha to start a political diabolds forth with great lucidity. Perately attacked Britain over logue with South Africa's black. The Foreign Secretary has not leaders, has left a deep impression on Sir Geoffrey. In spite of the humiliating rebuff ba received from the Pretoria leadership, Sir Geoffrey still speaks more of disappointment "What happened in Reyk-than bitterness and refuses to javik, I think, probably startled look upon his visit as a waste

"I was disappointed. foundly disappointed by the inability to understand the committed basis of would-be friendship from which I was presenting that case. It was depressing to find such a barrier of incomprehension at the end what do you do next? Do you of tw quite long meetings (with

great strength as a political leader — Sir Geoffrey came out of the South African affair with of the South African affair with his reputation enhanced "I was amazed and moved by the number of peopla who wrote to me from all corners of the country saying how much they valued what I had been trying to do."

Ona cannot help wondering The whole southern Airica exercise, undertaken on behalf how many people write to Sir of the European Community to Geoffrey about nuclear arms changed his mind on the fundamentals since tha near-break through achieved by President Reagan and Mr Gorbachev in Reykjavik last month.

the participants as much as anybody else. Whether either of them went there expecting to cover such a huge agenda so close to a set of conclusions, I don't know.

"I don't believa that we are near the point, or that we should be near the point, where nuclear weapons are discarded on all sides,

"It would be marvellous to think in terms of a world free of nuclear weapons, free of all weapons. My son is press officer for CND and I don't question bis good faith, his integrity and his sense of vision. But I think in the real world, peace has been secured by the deterrent

need secured by the determent and will, for the foreseeable future, depend on it.

"I think that Reykjavík offers a better chance than we had before of making a break-through on strategic weapon reduction short of abolition and I think that the chances of an I think that the chances of an agreement on intermediate-range nuclear forces (INF) are also advanced rather than re-tarded. But the basic deal will, I think, be made on the fairly traditional framework estab-

ished before the summit." Sir Geoffrey is never more tha dipiomat than when he discusses his own future and poli-tical ambitions. Anybody who has occupied tha Cabinet posi-tions he has held over the past 15 to 20 years should be considered for the highest job in in politics, he says cautiously, "Hopefully, that is true in my

"If the opportunity of holding the top job were to come along, one would never say 'no' to it. I don't, myself, see it as being very likely and I'm perfectly content to go perfectly content to go soldiering on in some extremety interesting and

Personal file 1926 Born in

in Port Talbot, gan; educated at Win-and Trinity Hall,

Cambridge.

1945-48 Lieutenant, Royal Signals.
1952 Calied to the Bar, Middle Temple.
1953 Chairman, Bow Group.
1954 MP for Beblugton losing the seat in 1966.
1970 MP for Reignte (Surrey East since 1974); Solicitor-General.
1972 Minister for Trade and Consumer Affairs (to 1974).
1974 Director, Sun Alliance and AGB Research (to 1979), EMI (1976-79).
1979 Chancellor of the Exchequer.
1963 Becomes Foreign Secretary after Mrs Thatcher's second election victory.

Radical chic and the new racialism

Robert Burns

Robert Brizin is this:

on what basis can "brotherbood" between people of different races but of the same
nationality be constituted?

The case of Brent Council, in

London, illustrates this, at least
in part. The suspension of Mrs

Manrean McGoldrick, the infant
school head teacher, for an
alleged racist remark, sprang
from the council's officially
adopted view that racism, residing as it does in people's attitudes—in ects of omision as
well as commission, in "body
language," even. (It was the
Brent that Manneen Geldman, a
Tory councilior, was accused of
invitation and the second in the council or second in

Included and the second in the council or second in

Robert Burnes

Robert Burns

Robert Bu language," even. It was un Brent that Maureen Geldman, a Tory councillor, was accused of implicit racism inherent in body language when she body language when she shuffled her papers and looked at her watch during an inter-view with a black candidate.)

official what has been a grow-ing feature throughout much of the race relations industry, and in such projects as "racial awareness" training courses: tha assumption, unstated in Brent's case but often stated in the content of such courses, that racism is more or less endemic in whites and it is what endemic in whites and it is what they feel specifically about blacks — among whom are included people of origins as various as African, Afro-Carlbbean, Indian, Pakistani, Bangladeshi and Sri Lankan. Racism is seen to be a white problem; blacks are the victims of it

This dictates a certain organisational style: in Brent, it means that at least on certain occasions, attitudes are under a careful scrutiny. It also dictates a certain cultural style: among blacks and whites who accept the ideology of radical anti-racism, it means a suspicion of the majority of whites as of the majority of whites as being, at least potentially, racist—that is, willing ulti-mately to discriminate against blacks and probably harbouring views of them which see them as intellectually or culturally inferior.

Practically, this has meant a stressing of a separate black identity and culture, a rejection of the notion of "brotherbood" seen as defined in white terms that is, condescending or racist. Far from the issue of

JOHN LLOYD

assumptions of this order are bent on submerging or colonialising a separate black identity. Such a view, for example, lies behind the ban placed by local anthorities like Lambeth and others, and en-dorsed by a powerful group dorsed by a powerful group within social work, on the adop-tion of black children by white families.

families.

The theory and practice of this replacement of the old progressive notion of brotherhood with one of coultural separatism causes those who remain wedded to it some pain — which is precisely what is intended, under the assumption that white pain means racism confronted. And the underplaning of that assumption is black pain, or indignation, over the fact of discrimination.

The latest figures, from the 1984 Labour Force Survey, showed that among young edult men (16-24), 20 per cent of whites are out of work, 25 per cent of those of Asian origin and 40 per cent of those of Afro-Caribbean origin, A local example: in Bradford only 7.5 per cent of 16-year-old Asians find work compared with 32 per cent of whites.

Only some 3 per cent of

cent of whites.

Only some 3 per cent of whites live more than one to a room: but 16 per cent of Afro-Caribbeans and 35 per cent of Asians do. A Home Office study of 1981 showed that Asians were 50 times more likely to suffer from racial attacks than whites, while Afro-Caribbeans were 36 times more likely to. The central source for these indices is Colin Brown'a Black and White Britain (Policy Studies Institute, 1985).

The argument that immigrants,

The argument that immigrants, especially from poor countries, are bound to start at or near the bottom of the labour market and the social structure is a reasonable one; but it is not capabla of infinite application, to be visited upon their sons and grand-daughters. Nor should it be seen as a description of a benign process whereby members of ethnic minority groups "trickle in" to the various privileged strata of British life, much as the surplus of the wealthy is held to "trickle down" to the poor.

few blacks can hope to fare better.

Will the racial tensions worsen? Probably—but perbaps not to the point of an Enoch Powell prophecy. Professor John Banks of the University of Washington in Seattle has John Banks of the University of Washington in Seattle has identified four "phases" of athnic minority involvement in e country which was, for their forebears, a colonial (as tha UK) or an internally oppressive (as in the US) power over them. First, once the "host community" passes out of the long wight of conversion, if recognish numery passes out of the long night of oppression, it recog-nises that reforms must be made, and creates rising ex-pectations among people initi-ally fearful and defential.

tudes, must be resisted in attitudes—in ects of omisison as
well as commission, in "body
language," even. (It was in
Brent that Maureen Geldman, a
the assumption that white pain
Tory councillor, was accused of
means racism confronted. And
implicit racism inherent in
body language when she
shuffled her papers and looked
as her watch during an interview with a black candidate.)

Brent has made explicit and
official what has been a growing feature throughout much of
the race relations industry, and

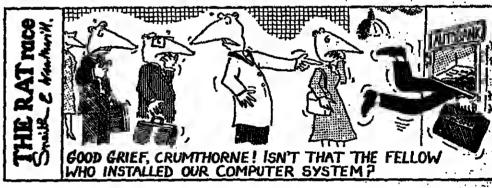
The latest figures, from the

Third, once the search for a one cause explanation, is seen to fall, many from all communito fail, many from all communi-ties search for multi-cause explanations, and increasingly recognise the need for dialogua and mutual change. Fourth, the reforms become institu-tionalised: other (non-ethnic) groups press their case: tha issues of race come to be seen, in part as the more families. in part, as the more familiar ones of, for example, social class, or low pay, or bad hous-

10

It is not a deterministic structure and elements of all phases can be simultaneously present and it was, after all, developed in the quite different national culture of the US. But it commands respect from, for example, Peter Newsam, chairman of the Commission for Racial Equality. It points to a possible dissolution of tension.

Most of all, those who still Most of all, those who still cleave to a belief that Burns was right, and that his ideal need not be one which in real life means a papering over of real inequalities with hollow fraternety, can see in the development Banks proposes a port. We need no reminder in this century of how murderous a force mobilised racial hatred can be; but that it is not endemic, incluctably under or race being played down for the "trickle-down" to the poor, on the skins of every puriof us, sake of a liberal-progressive These strata still have large is a faith still worth preserving, notion of common bumanity, it enough, mainly informal, berish preserving, which no evidence to the consist played up to make it quits riers to put before most whites:



No go area for courts

VITE the inaugural meet-ing of the Administra-tive Law Bar Association in London last wek, administrative law can be said to have come of age. As with other branches of the law, its substance is often found in its procedure, especially tha intri-cacies of judicial review, the growth remedy of the past de-

In his speech to the Associa-In his speech to the Association, Lord Justice Woolf said that the time had come to take stock. Judicial review would not be fulfilling its purpose if it failed to protect the citizen who was in real need of protection. But undue interference by the courts with public bodies would not be in the public interest. interest.

Tha Court of Appeal's decicision last week in Regina v Oxford, Ex parte Levey (The Independent Law Report October 30th 1986 The Times Law Report November 1st 1986) illustrates vividly tha difficulties and problems to which Lord Justice Woolf October 30th 1986 The Times judicial review, for two reasons.

Law Report November 1st 1986) illustrates vividly tha difficulties and problems to which Lord Justice Woolf than "related, within the scope On August 2, 1985 Mr Levey

parked his car in Wavertrea Road, Liverpool, and left it locked but unattended, to visit a jewellery shop. While he was talking to the owner of the sbop, three masked men smashed one of the car's windows and stole a briefcase which contained £12,000 in cash, templicant to the reliance £22,000 in cash, jewellery to the value of £22,000 and a watch valued et £5,500. A traffic constable in a police vehicle pursued the thieves and their getaway car. The chase was abandoned when in Granby was absinced when in Graphy
Street in the Toxteth area the
constable encountered a group
of 50 youths armed with iron
bars, stones, bricks and pieces
of railing who blocked that
street. The duty officer in the street. The duty omcer in the police control room to whom the constable reported the situation on the radio ordered him to abandon the chase. The reason for this order was a concern for the constable's safety.

The Chief Constabla of Liverpool bad adopted a policy of treating Toyteth ea special

treating Toxteth as a special area for which special methods



of policing based entirely upon foot patrols were appropriate. As a matter of routine, traffic division and operational support division patrols were excluded from the area.

It was a controversial policy.

In December 1985 the

In December 1985 the Queen's Bench Divisional Court heard and dismissed Mr Levey's substantive application for of the relevant roles for application for judicial review. Mr Levey was claiming that the conduct of the Merseyside police had diminished his chances of recovering tha prochances of recovering the pro-perty stolen from his car in Wavertree Road. The Court of Appeal, more realistic than the Divisional Court, recognised that he did have a special and sufficient interest in the subject-

sufficient interest in the subject-matter of his application.
But if judicial review is con-cerned with public rights and duties established by public law, why should not all members of the public be an-titled to apply to the Court? This aspect of the procedure should be reconsidered and re-vised. vised.
The Divisional Court's second

reason for dismissing Mr Levey's application for judicial review was based on its view of the merits. After the getaway car was found, forensic scientists were unable to discover any evidence. The Divisional Court decided that Mr Levey failed to show that the Chief Constable's

pointy for routers was the reasonable or wrong or that implementation of that policy was in neglect of any of the police force's duties. The Court of Appeal reached

the same conclusion. The argument for Mr Levey was that in adopting and pursu-ing a special policy in Toxteth the police were applying differ-ent and lower standards to that area than elsewhere and there-fore in breach of their duty to enforce the law evenhandedly.

The Court of Appeal ruled that this argument confused tha propriety with the effective-ness of e policy of policing. The duty of the police was to keep the peace and enforce the law. The courts had the jurisdiction and readiness to intervene by appropriate orders if it was established that the police were failing in their

But chief constables had the widest discretion in their choice of methods of discharging this duty. If a police officer found that his chosen methods were ineffective, he was under e duty to reexamine them and consider what change in policy was necessary. A single or several incidents did not auto-matically demand any such reexamination or change.

It was not for the courts to

raview a Chief Constable's choice of methods so long as he did not exceed the limits of his discretion. Only in rare cases would it be possible to make a convincing prima facie case of breach of duty.

The Court of Appeal's rulings indicate that court proceedings are not always an appropriata method of ventilating, discussing or deciding a

This is not a charter of police unaccountability to the public. Nor does it mean that policies of policing are not open to public scrutiny and discussion. It merely means that by the nature of their procedure the courts and the judges bave limited scope for ensuring that the police act as servants not masters of the law.

many countries, especially in Africa and the Middle East, decline to al-

Although efforts over the past.

year have enabled the airlines to re-

cover about \$600m of this money, there is still some \$610m locked up

financial situation if allowed to be

In the Middle East, the total

amount outstanding for six Arab airlines is about \$280m, and efforts

are being made to resolve this prob-lem in conjunction with the Arab

The airlines' costs are also rising

per cent while some airlines have faced rises of more than 50 per cent

in liability rates. "Furthermore,

most airlines have had their cover

This has led the airlines to set up their own insurance company, Air-

line Mutual Insurance, and airlines

are now being asked to participate

It is designed to fend off the hos-tile £145m bid from Norton Opax, which had been due to close this

The buy-out is led by Mr John

Holloran, McCorquodale chief ex-

ecutive; Mr Simon Williams, head of the US operation; Mr Nick Her-

oys, finance director; and Mr Geoff

Dee, company secretary. The four men are personally raising £300,000

(Mr Hollocan has remortgaged his

house) out of a £1m management stake, with the remaining £700,000

coming from the top 26 executives.

This "sweat equity" stake will represent a disproportionately

large 5 per cent of the equity. A fur-

ther £33m equity is coming from buy-out specialists, Electra and

Globe investment trusts, and Cand-

over Investments.

reduced in one form or another."

Carriers Organisation.

recovered

Pru-Bache is behind

McCorquodale plan

Friday.

low the airlines to take away.

THE MAJOR world airlines are lata airlines last year was a net high level of "blocked earnings" – likely to incur a net operating loss profit after interest of \$900m, of cash legitimately earned through likely to incur a net operating loss on their international scheduled services during the current year, compared with a profit of \$200m in

Mr Gunter Eser, director general of the International Air Transport Association (lata), representing 144 major airlines, will warn them at the association's annual meeting in Montreux today that the prospects for the current year are not

His annual "state of the industry" report declares that in the first seven months of this year, capacity (the number of seats offered for sale) was still being added to the airline system at a rate far in excess of actual traffic growth.

At the same time, load factors (the amount of capacity actually sold) continued to fall.

Traffic on the North Atlantic route suffered from a combination of reaction to terrorism, the effects of the Chernobyl disaster and the falling dollar. After allowing for interest charges, a net operating loss is foreseen for lata international scheduled services in 1988."

The total system-wide (interna-tional and domestic, scheduled and charter services) result for all the

Minister seeks

more trade

By John Hunt

their unions.

union reform

MR Kenneth Clarke, the Employ

ment Minister, indicated yesterday that he would like to see further

legislation to give trade union mem

bers a bigger say in the running of

"The success of our policies to date convinces me that we should

now think carefully whether the

time is right to take the process a

It was not enough for Conserva-

tives to congratulate themselves on

the Government's record of union

reform. They still had a long way to go to secure better industrial rela-

They had to build on that prog

ress and make it clear that they had

a vision to shape policies on trade-union reform in the fature.

stage further," he said.

1.4 AN=EX

~ 1. C.D

which international scheduled serticket sales which governments in vices accounted for \$200m.

This was the third year in succession that the airline industry had achieved a profit, following the heavy losses during the recession years of the early 1960s, but Mr Eser stresses that the net results "have been diminishing, and are or delayed in transit - enough to still well below the levels needed to revolutionise the industry's overall finance future development."

He points out that by the mid-1990s, the lata member airlines will need to acquire at least 4,000 new aircraft, of which some 1,800 will be needed to replace existing ageing aircraft.

With spaces and other fixed assets, the investment required will be between \$150bn and \$200bn, into detween \$150hn and \$200hn, including some \$100hn for international scheduled services."

The included services."

The industry, he says, is still a long way short of being able to finance investments of this order. Pre-tax profits are running at only about 1 and 2 per cent of revenues, considerably below the minimum level required to finance major new

equipment investments.

One of the industry's major financial difficulties is the continued in that organis

BY DAVID GOODHART

PRUDENTIAL-RACHE Securities,

part of the Prudential Insurance Corporation of America, has

hind the proposed £156m manage-

ment buy-out at printing group McCorquodale.
If successful, the deal, which has

been formally backed by the McCorquodale board, will be the

biggest UK-based management

buy out. It is also the first major

move by Pru-Bache in the UK and

follows the arrival two months ago

of Mr John MacArthur, former de-

puty head of corporate finance at Kleinwort Benson, as chairman of

Plans for the buy-out completed

last Saturday morning, were first

suggested three weeks ago by Mr

its merchant banking division.

MacArthur,

erged as the key institution be-

Cuisine **Anglaise** comes into its own

By David Churchill

A REVIVAL of British cooking in restaurants throughout the UK ever the past year is about to put British cuisine on the interna-tional culinary map and may spell the end of nouvelle cuisine in the UK, claims the latest edition of the Good Food Guide published today.

"When even a year ago there seemed to be no sign of a national cooking with its own identity, suddenly here it is," reports the guide, published by the Consumers' Association and Hodder & ers' Association and Hodder &

"For the first time since the end of rationing (after the Se-cond World War), British cooks are producing British dishes that bear comparison to the major

The guide's author, Mr Drew Smith, comments that British cooks have "come out of the French shadow and the all-embracing, Gallie-inspired influences of continental cuisine."

This new British style of cook-ing can be identified in four dif-• A revival of some of Britain's

traditional puddings, such as bread-and-butter, jam roly-poly,

and treacle text.

Seasonal and changing menus depending on market supplies.

Heavy reliance on vegetables.

Cheeseboards with the new farmhouse cheeses, such as Co-therstone, Satterleigh and Swale-

The guide lists more than 160 restaurants where this new-style British cooking can be found and lists 100 others which might fulfil some of the criteria.

One feature of the new British cooking, Mr Smith points out, is that far from emulating the high prices of French restaurants, most places have managed to keep prices below £20 a head. "At this time of inflationary restaurant prices, this is commendable," he says.

Good Food Guide; Consumers Association and Hodder & Stoughton, £9.95. Available, post free, from the subscription de-partment, Consumers' Associa-tion, PO Box 44, Hertford, SG14 ISH, England.

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COMPUTER SYSTEM FOR THE FORTH ROAD BRIDGE Return Date: 5th December 1986

Tender documents are available from the Director render documents are available from the Director of Finance, Lothian Regional Council, Central Purchasing Unit, Springwell House, Ardmillan Terrace, Edinburgh EH11 2JL. Tel: 031-337 8541. The tenders should be returned intact by the specified date and in the official envelope provided to the Regional Secretary, Lothian Regional Council, Regional Headquarters, George IV Bridge, Edinburgh EH1 1UQ.

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Kleinwort Benson

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With effect from 1st November 1986 the Kleinwort Benson Limited mortgage rate will be 12% per annum, and the personal loan base rate will be 11% per annum.

TRANS-NATAL COAL CORPORATION NOTICE IS HEREBY GIVEN that the twenty-fourth annual general meeting of the show company will be held in the bourdroom, fourth fleoribing Corporation Building, 74-75 Mar.

beid in Bundan Bundan on 20 Personal Street, Johannsburg, on 20 Personal Street, Johannsburg, on 20 Personal Street John of the John of th

CHEMICAL NEW YORK CORP. US\$300,000.000 Floating Rate

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UK NEWS

Government 'on course to reach 25p tax goal'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE GOVERNMENT has scope to current account of the balance of cut the basic rate of tax from 29p to payments is likely to go into deficit 27p next year and to achieve its next year for the first time since long-term goal of a 25p basic rate in 1979.

A weakening trade position sug-

Tax cuts and a strong improve-ment in Britain's export perfor-mance are expected to stimulate mance are expected to stimulate stronger growth in the economy over the next two years, with output rising by 3 per cent in 1987 and by slightly more in 1988.

The LBS predicts, however, that the pace of growth will not be enough to bring down unemployment and that the consumer boom will continue to suck in imports.

The number of adults unemploy-

The number of adults unemployed deteriorate further and the ed will remain at 32m while the rate will rise much faster.

forecasts today.

The cuts, however, would be at the expense of tax control of public horrowing and a worsening of Britain's trade position, the independent forecasting organisation says in its latest quarterly Economic Outlook.

Tax cuts and a strong improvement in Britain's export performance are expected to stimulate

Turning to inflation, the Outlook forecasts a steady increase in the pace of price rises but is optimistic that a fall in the level of wage settiements will provide a moderating

If wages continue to rise strongly however, the current account will deteriorate further and the inflation

Investors warned to beware of con-men

BY HUGO DIXON

THE SECURITIES and Investments Board, the new financial re-

con-men out of business. It sums up with the slogan: "Investing without thinking can seriously damage your

ments soard, the new mandral regulatory body, has brought out a the tricks used to dupe people into
booklet, Self-defence for investors, parting with their money and how
in conjunction with the City of London Police. It is the first step in
what is intended to be a long-runwhat is intended to see a containing a state of the long-runwhat is intended to graph the state of the long-runwhat is intended to see a long-run ning fraud-prevention campaign.

By teaching people to develop a limited number of them to firstesmen, the booklet seeks to drive tion discount rate."

Investors, says SIB, should translate it as follows: This company, if it exists at all, is issuing as many "The fact that the vast majority of shares as we can talk punters like "The fact that the vast majority of investment practitioners are honest is small comfort to those who have lost their life savings to a con-man," said Sir Kenneth Berrill, SIB's chairman, "And the damage done by those who succeed in tricking members of the public into dubious, wholly unsuitable or even non-extinent investments' is out of all not-

istent investments is out of all pro-portion to the numbers of such Royal Exchange Buildings, Com-fraudsters." Self defence for investors, SIB, 3 Royal Exchange Buildings, Com-hill, London EC3V 3NL, free.

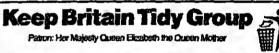
Youthful taste for music

buy at least one record album or pre-recorded cassette a year, ac-cording to a new survey of the Brit-ish public's music buying habits by the polling organisation Gallup.

Young men are the keenest buyers. Over half (53 per cent) aged 16-24 buy at least one album or cas-men and 43 per cent of women buy

The figure falls sharply in older age groups. Only 26 per cent of men and 12 per cent of women aged 25-34 buy at least one album or cassette a month.

sette a month compared with 31 per at least one record a year.



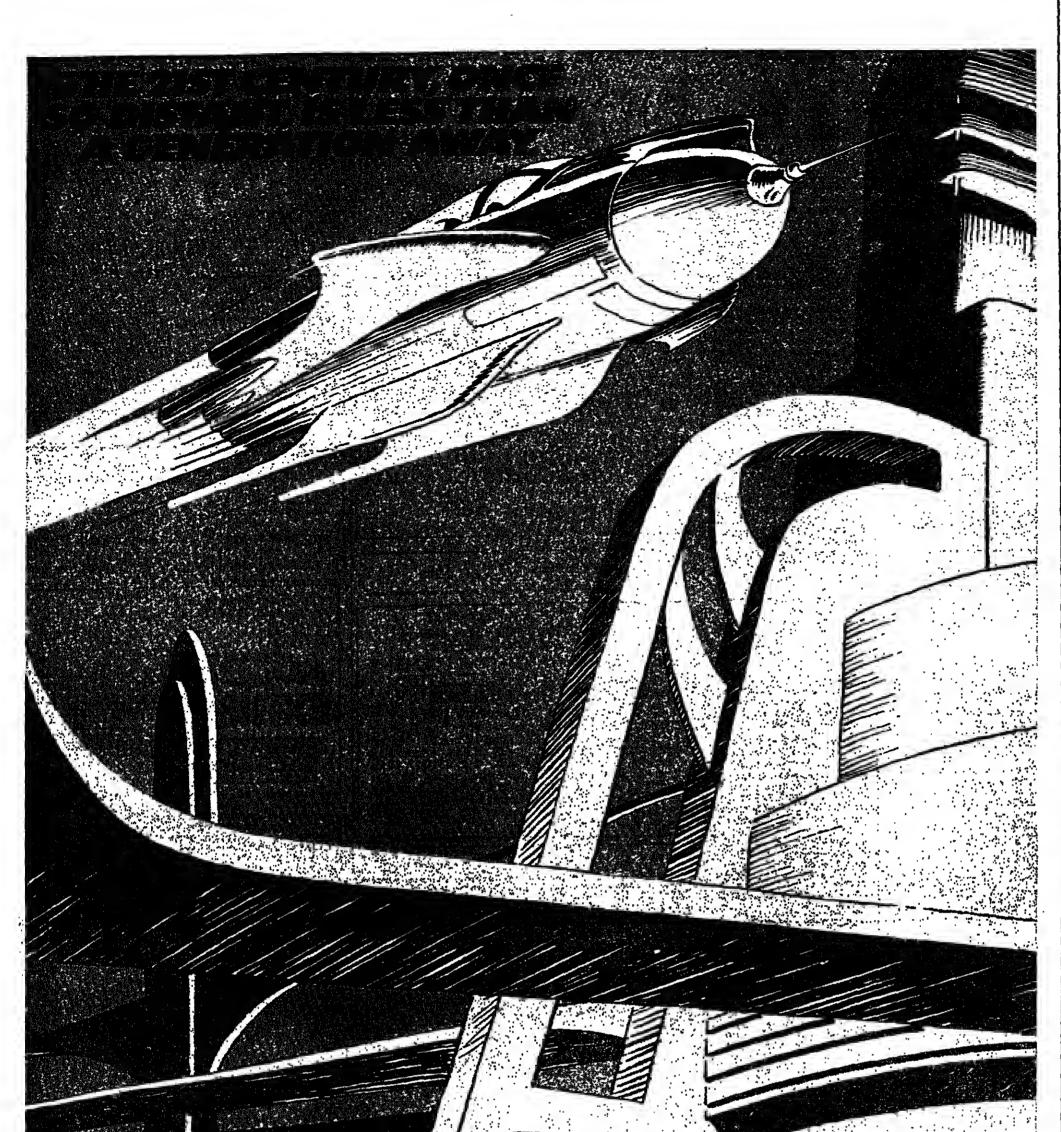
Message from the Secretary of State for Scotland

My have duties as Secretary of State for Soptiand cover a wide intinge of activities, not least of which are those armed at improving and caring for the environment. These duties bring me face to face with the problem of littering Littler is unsignify, defense and unnecessary and if limity believe that we must convince oftenders that their actions are totally unacceptable to the rest of the

The CBI says "Clean Up -- it's Good Business" Please consider contributions and joint sponsorship schemes Keep Scotland Sesutiful, Old County Chembers, Cathedral Square, Dunblane FK150AQ Tel: (0785) 923202

Keep British Tidy Group, Bostel House, 37 West Street, Brighton BN1 2RE Tel: (0273) 23585. Registered Charley no. 205976

"Extracted from the Group's Annual Report 1985/96



"Lingan's ship roars out of Mingo..." From Flash Gordon Comic Strip, 1939.

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facturers need. Some \$1.4 billion worth. Equally to the point, in our businesses (power and motion control, and plastics) we're market

Well, as leaders, we've begun applying certain principles that we're convinced will become more and more a part of manufacturing.

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If these principles made sense before, they'll be even more crucial in the future. Which is why we feel the urgency about mak-

ing them part of our thinking and our products. The Twenty-First Century is, after all, only

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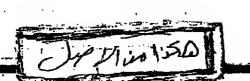
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THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND, ISSUES OF GOVERNMENT STOCK The Bank of England announces that Her Majesty's Treasury has created

on 31st October 1986, and has issued to the Benk, additional amounts as indicated of each of the following Stocks: £250 million

10 per cent CONVERSION STOCK, 1996 £50 million 91 per cent CONVERSION STOCK, 2004 82 per cent TREASURY LOAN, 2007 22 per cent INDEX-LINKED TREASURY £50 million STOCK, 2009

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3,30 p.m. on 31st October 1986 as cartified by the Government Broker.

In addition, Her Majesty's Treasury has created on 31st October 1986, and has Issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of

£150 million 11 per cent EXCHEQUER STOCK, 1989 102 per cent EXCHEQUER STOCK, 1997 In each case, the amount issued on 31st October 1985 represents a further tranche of the relevant Stock, ranking in all respects part passes with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax

Application has been made to the Council of The Stock Exchange for each farther tranche of stock to be admitted to the Official List. Copies of the prospectuses for 101 per cent Exchaquer Convertible Stock, 1989 dated 22nd November 1985 (which contained the terms of issue of 10 per cent Convertible Stock, 1990), 10 per cent Treesury Convertible Stock, 1990 dated 13th Jenuary 1984 (which contained the cent Treesury Convertible Stock, 1990 dated 13th Jenuary 1984 (which contained the terms of sieue of 9½ per cent Conversion Stock, 2004), 9½ per cent Treasury Loan, 2007 dated 11th July 1986 and 2½ per cent Index-Linked Treasury Stock, 2009 dated 19th October 1982 may be obtained at the Bank of England, New Issues, Watling Street, London, ECAM 9AA. The Stocks are repsyable, and interest is psyable helf-yearly, on the dates shown below in the case of 21 per cent index-Linked Treasury Stock, 2009 provision is made in the prospectus for stockholders to

fered the right of early	redemption under	Certain d
ck .	Redemption date	Interest
per cent Conversion sk, 1996	15th November 1996	15th Ma 15th No
er cent Conversion sk, 2004	25th Ostober 2004	25th Ap 25th Oc
er cent Treesury Loan, 7	16th July 2007	16th Jan 16th Jul

2½ per cent index-Linked 20th May 2009 20th May 10 per cent Conversion Stock, 1996, 91 per cent Conversion Stock, 2004 and 8½ per cent Treasury Loan, 2007 are repayable at par. Both the principal of and the interest on 2½ per cent Index-Linked Treasury Stock, 2009 are indexed to the General Index of Retail Prices. The Index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The index ligure relevant to the month of issue of 2½ per cent index-linked Treesury Stack, 2009 is that relating to February 1982 (310.7). The relevant Index figure will be used for the purposes of calculating payments of principal and

interest due in respect of the further tranche of Stock The relevant index figures for the half-yearly interest payments on 2½ per cent index-Linked Treasury Stock, 2009 are as follows:

Relevant Index figure Relating to October of the previous year April of the same year The further tranches of 10 per cent Conversion Stock, 1996 and

Bulletin, published today. At the same time, it points out, the value of farmland - which is the 2½ per cent index-Linked Treasury Stock, 2009 trave been issued on an ex-dividend basis and will not rank for the interest payments due on 15th November 1986 and 20th November 1985 respectively main item which farmers use as col-On the existing Stocks. The further tranche of 61 per cent Tressury Loan; 2007 will rank for the interest payment of £3.7198 per cent lateral for loans - has roughly halved since 1979. due on 16th January 1987. The further tranche of 9½ per cent Conversion Stock, 2004 will rank for a full str months' interest on These statements are likely to fuel the growing debate about the 25th April 1987. Official dealings in the Stocks on The Stock economic and financial health of

Exchange are expected to commence on Monday 3rd November 10 per cent Conversion Stock, 1996 and 84 per cent Treesury Loan, 2007 will be specified, and 9½ per cent Conversion Stock, 2004, and 2½ per cent Index Linked Tressury Stock, 2009 are specified. under peragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as git-adged escurities (under current legislation exempt from text on capital gains, irrespective of the period for which the Stock is

Government statement nion is drawn to the statement issued by Her. M treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's the orderly conduct of fiscal policy, neither her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even-where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither product any contact and the servants and the such omission shall neither product any contact and the servants and the servants and the servants. neither render any transaction liable to be set saide nor give rise to any claim for compensation.

BANK OF ENGLAND LONDON

31st October 1986

Labour pledges job agencies for **English regions**

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

map of assisted Britain if it is returned to government at the next general election. It will also create agencies for some of the English regions along the lines of those estabfished 10 years ago in Wales and

Sentland Mr Gordon Brown, Labour's spokesman on regional affairs, said that, as a result of the party's coment to create 1m jobs during the early years of the next partiament, the assisted areas would be given priority because this was where unemployment was most se-

Regional policy is a relatively effective way of creating jobs," he said. There are question marks over whether the present policy merely shifts jobs from one region to another, but Labour would be able to put far more into a regional approach because there would be hig savings on unemployment pay as the level of joblessness is re-

The party has clearly not committed itself to the number of English agencies that would be set up, but one in the north-east is considered

Farmers'

borrowing

PARMERS' bank borrowings have

more than doubled in real terms over the past 10 years, and agricul-tural debt has doubled as a percen-

tage of total farm assets, according to Lloyds Bank's latest Economic

British agriculture in view of a sharp fall in farm incomes over the

past decade and of fears that fur-

ther declines may be on the way,

Mr Christopher Johnson, the bank's

chief economic adviser, argues that there is no cause for alarm. It says

that, while there is bound to be an

increase in the number of farm

bankruptcies "at the margin," farmers' debt liabilities in general are

still only about 15 per cest of total

a half is conservative by any stan-dards and would be envied by most sectors of industry," Mr Johnson writes. "It can be shown that UK ag-

riculture still has a healthier bal-

ance sheet than its counterpart in most other countries, even though

farm debt has also risen more stee-Lloyds Bank Economic Bulletin

Lloyds Bank Economics Depart ment, 71 Lombard St, London ECS.

However, the bulletin, written by

doubles

By Andrew Gowers

That was "totally untenable," he said. We must also get away from the branch economy syndrome that has done so much harm to the regions. The answer is to stimulate indigenous industry within these

Mr Brown refused to be drawn on how much Labour's plans would cost. Regional policy is part of the resources are allocated at the time

THE Labour Party will review the Other features in the Labour pro gramme are likely to be enhanced powers for the existing Scottish and . Welsh development agencies, more power to local enterprise boards and local councils being given specific powers to assist them in their work on industrial development.

Mr Brown stracked the assumptions in the government document, Programme for Action, 1986-90, sent in July to the European Economic Community's regional direc-torate, that unemployment would remain well over 2m at the end of the period.

competing demands on government and how much we can spend on it will very much depend on how total among competing departments."

UK NEWS

Anthony Moreton reports on a controversial survey

Battered north-east faces gloomy future

ENGLAND'S north-east is one of the most disadvantaged regions

within the EEC. Cleveland has the highest unemployment rate of any county in Eng-land, and south Tyneside has the highest urban rate in Britain.

The north-east is in the meaviable position of having the worst combination of unemployment blackspots in the country.

To aggravate matters, there is no sign of the north-east sharing in the gradual recovery taking place in the rest of the economy. The decline in manufacturing jobs continues to be greater than the gains elsewhere in the economy.

Although the structure of the economy, traditionally based on beavy industry, has changed sub-stantially over the last 20 to 30 years the proportion of those in pri-mary and manufacturing industry is still higher than the national av-

erage.

Newer high-technology industries have fought shy of moving into the north-east so that there has been a relatively low take-up of national aid schemes to support inno-

According to the report, the north-east shows all the signs of a depressed region that has experienced a long and continuing eco-nomic recession and continuing eco-nomic recession and outward mi-gration. Below national-average earnings and incomes, skill levels, and educational achievement

The Government's picture of the state of the UK's assisted regions is contained in a 17-volume document. Programme, 1986-80, presented to the European Reonouse Community last July

unity last July.
The document is part of the Government's case for more assistance from the European Re-gional Development Fund.

The II volumes were not officially released by the Department of Trade and Industry, the department responsible for regional policy, but were placed in the House of Commons library the House of Comment library where they can only be consulted by MPs. Mr Gordon Rooms, Lahour's regional affairs spokes-man, revealed the contents, but no official comment has been made on them by the Govern-

health standards, high unemploy of industries where employment is ment and some poor housing are all Within the infrastructure, more

estions, water supply and land drainage, gas, waste disposal, telent situation can be expected until a munber of other more fundamental problems have been resolved. The weak economic structure, for instance, has too few new growth industries, a relatively undeveloped small business sector, under-representation of service industries and an over-representation especially in inner-city areas.

Taken as a whole they are: a bleak picture of the most disadvantaged parts of the UK. Finem-playment is projected to stay above im in 1994, and considerable spending on infrastructure, especially roads, sewerage, water, telecommunications and enuncertal facilities, is thought enery in all the regions if

they are to be brought up to the level of the rest of the UK. ough, in the light of its being a innimine to the EEC for grants from the European regional fund. It therefore paints a ple-ture of Britain with the watts particularly protunent. The water particularly protunent. The Gov-cement has all along hoped that regional money from Brussels would go some way towards off-satting Beliain's payments into the Common Agricultural Palicy.

ent is needed in commu

There are too many enqualified

lighted the importance of local au-fhorities identifying and developing strategic sites suitable for large scale mobile industrial projects. The unfavourable industrial structure and continuing loss of jobs, taken with the limited amount

market requirements.

of footcose industry, poor image of the area and continuing restraint on public spending will all affect the north-east's ability to respond in an unturn in the national econo-A significant increase in jobs is

To overcome this situation there

must be a continuing attempt to improve efficiency and competitive-

ness and the region must find a

The low level of private invest-

ment means that public-sector ag-

encles will have to play a major role in any stimulation of economic ac-

tivity. The broad objective should be to provide sites and premises of

the correct size and price to reflect

There have been plus points, es-

pecially the arrival of the Nissan

motor plant. This success has high-

way to improve its image.

unlikely in the short term. Progress will depend on local ability to generate new work. ations and serviced in-The region will have to exploit its full potential in the promotion of onmental dereliction. On top of these, there is social deprivation,

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UK NEWS

Europe's top fertiliser producers hit by crisis

THIRD-QUARTER figures last week from ICI, good though they were overall, confirmed one de-pressing and important fact: the Eu-ropean fertiliser industry is in deep trouble and could stay that way.

ICI, Britain's leading producer, made a 10th of its profits - £99m from fertiliser last year. This year it will make nothing at all - in the third quarter its fertiliser business moved into loss, and it may well turn in a loss for the year as a

Europe's leading producer, the Norwegian group Norsk Hydro, had produced still worse news the previous week. In the third quarter its fertiliser division, plagued by plant closures and difficulties with raw material pricing, lost £9.5m, having made a profit of over £20m in the same period the year before.

Producers are quick to draw attention to a number of short-term problems afflicting the market. But behind them lie some deep-seated difficulties which could prove more

The biggest immediate problem, producers agree, is the Soviet Union Starved of hard currency by the fall in the oil price, Russian pro-ducers have reportedly been selling ures (a form of nitrogenous fertilis-er) at a Black Sea price as low as \$85 a tonne.

This is certainly well below the cost of production. It also works out at a price to the UK farmer of around £95 a tonne, which is below ICI's cost of production for ammoni-um nitrate, the Western European equivalent of urea. But ICI has had to match it all the same.

Mr Ken Atkins, strategic planner at ICTs fertiliser division, says: They will import around 366,000 tonnes of urea to the UK this year, which is around the same as last year. But it would have been over 500,000 tonnes if we hadn't dropped our prices by 25 per cent. We cannot make money at that level, and the only reason we've done it is to keep imported urea out."

Norsk Hydro puts it tersely: "ICI are bleeding, and so are we."

At present, the EEC is looking into alleged dumping of urea by eight countries in the Middle East as well as the Eastern bloc. But the prob-lem has, in fact, been building up for several years.

In the late 1970s, a number of the developing world began ambi-making much headway yet. But, tious expansion plans in urea. By like the threat of lower EEC farm

Tony Jackson on how cheap urea imports are adding to existing pressures

the early 1980s the plants were on stream. Surplus production went to two main markets, India and China.

"Both these countries", says Mr Atkins, "have now dropped the scale of their purchases. It's likely to stay that way - they've got their own act together. That leaves more urea on world markets."

> The pressure on European producers, apparent for several years, has become correspondingly acute. Mr David Aitken, of London consultants Ferticon, says: "The indus-try has really been in trouble for five years, which is why Norsk Hydro was able to buy up loss-making companies which their owners were happy to sell. But this is the first time people like Norsk, ICI and the Germans are starting to hurt as

Mr Petter Gudmunseth, European sales co-ordinator for Norsk Hydro, says: Spring was very late, and only lasted a couple of days. Wareouses were overflowing with fertiliser, and this was just at the time when buyers were demanding lower prices because of the fall in the

But perhaps farmers, who are supposedly under pressure from the EEC to reduce their surpluses, are turning away from fertiliser use anyway?

Not according to the UK's National Farmers' Union. "If you halve your use of mitrogen," says an NFU spokesman, you reduce your wheat yield by 10 per cent. But look at the

"Nitrogen costs around £80 a hectare, and you get around seven tonnes of wheat a hectare at £100 a tonne. If you halve the nitrogen you save £30, but you lose a tonne of wheat. That's why the industry doesn't believe there will be a cutback in nitrogen use unless there is official action to enforce it."

Again, producers do not believe that the environmental lobby. which objects to the excessive use countries in Eastern Europe and of nitrogen on various grounds, is

cope with that since they're not get-ting the return. So the world urea situation should harden by 1990." That, on the other hand, is still four years away, and the European scene looks less cheerful.

"Our guess," Mr Atkins says, "is that nothing will happen with EEC farm policy in the next five years to have a dramatic effect on use of nitrogen. So we're projecting a level market, or maybe a decline of 1 per cent a year. That leaves too much capacity in Europe, and by the nor-mal processes of competition that will certainly lead to rationalisa-

the industry that ICI itself would not be sorry to get rid of a commodi-ty business like fertilisers, the group has gone out of its way lately to affirm its commitment to agriculture. Mr Denys Henderson, ICI's chairman elect, said last week: TCI

of sabre-rattling normally included in by the chemical industry when will have to crack.

to rise By Tony Jackson go away.

Even without that, the outlook is pect their sales volume to carry on tough. Mr Ken Atkins of ICI says:

Worldwide, we expect growth of 5 pect a further improvement in their per cent a year for the next 16 pect a further improvement in their profit margins and, although prices years. People are not investing in have been falling over the past year, the trend is now expected to

Plastics

sales set

reverse.

The annual survey by the British Plastics Federation, covering the year to April, shows 88 per cent of plastics producers reporting better profit margins last year although in the current year 60 per cent expect margins to stay unchanged. While 65 per cent said their prices fell last year, 62 per cent now hope for a rise of between 5 per cent and 10 per

The improvement in profitability in the past year has been due to the fall in the oil price, which has reduced feedstock prices by more than the fall in the price of finished

goods.
The plastics producers custom ers, the plastic processing companies, benefited from the fall in plastics prices last year, with over half -54 per cent - reporting an improve-ment in profit margins, while over 70 per cent said sales volumes had takes the long view. We are deterincreased. By contrast with the 65
mined to be a major force in agriculture well into the 21st century."

Then again, this could be the kind

The thin the

selling prices. rationalisation is in the air. Unless the current year also seems cheerfuliser producers are prepared to ful. Two thirds said they expected a further transfer to the current year also seems cheerful.

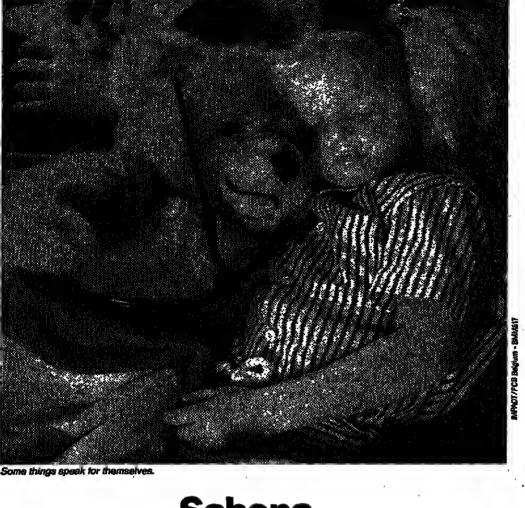
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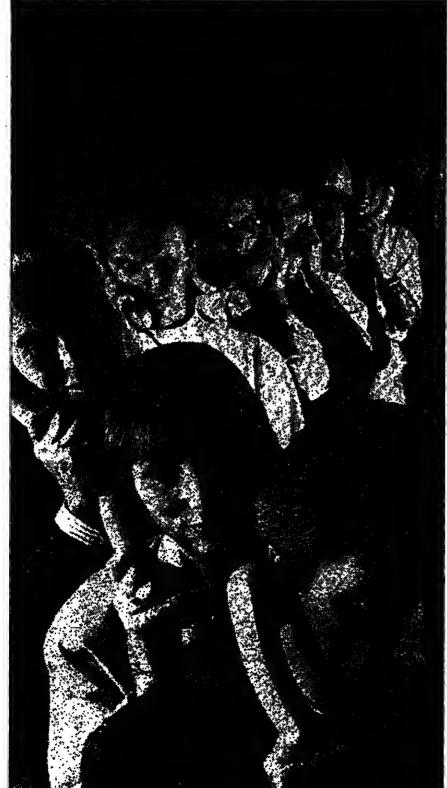
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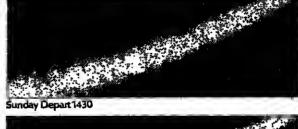
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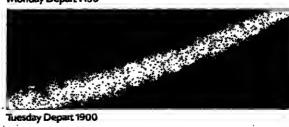
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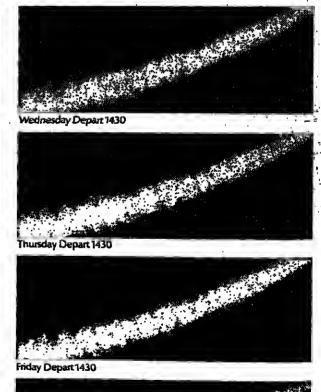
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We offer 8 flights a week from the UK to

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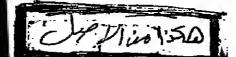
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Instead of settling accounts in different countries by contacting a bank

Chase is the only clearing bank you need,

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them: Chase.
We're in more than 60 countries, not one. And we deal in the six major currencies that make up over 85% of clearing volume today.

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And since we're the first and only bank with an all-electronic clearing system, the whole process is far more accurate, controlled and secure than your current system of messengers and paper pushing. You simply tap

your day's transactions into your desktop computer. Then send them all on their way with the touch of a button.

Which is all very state-of-the-art and convenient. But if there's a problem, you don't want to talk to a computer, do you?

That's why the Chase Partnership combines cold, efficient technology with warm, efficient people in each country. People who speak your language, literally and figuratively, and watch over your transactions. So if you don't catch a

possible error or oversight and call one of them, one of them can catch it and call you.

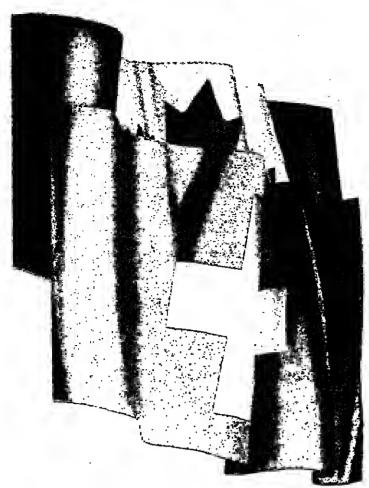
We don't ask the world for these services, either. Just a fair and reasonable fee.

To discuss Chase Global Clearing Accounts in greater detail, contact your Chase Representative, Al Salzano in New York at (212) 552-5216, or Peter James in London at 01-747-4524

After all, in the big picture, there's only one place you do business. So what do you need all those other banks for?



Business as usual, done unusually well.



On September 18, 1986, the Dow Banking Corporation of Zurich ceased to exist. It became, at the stroke of a pen, the Royal Trust Bank (Switzerland).

Clients of Dow can view the change with confidence. The new organization maintains the same strong staff and the same personal service as before.

And yet, something new has been added. Royal Trust, founded in Canada in 1899, is a major international financial institution with more than \$66 billion (Can.) under its administration. It is a conservatively capitalized company, with a double-A rating and the highest return on equity of such institu-

tions in North America. Royal Trust offers clients an international network of financial services, together with an attitude dedicated

to meeting individual needs. The bank's organizational chart places the client precisely where he or she belongs: at the top.

If you are familiar with the Dow Bank or Royal Trust, you will undoubtedly be pleased with the new amalgamation, if you do not know Royal Trust firsthand, now should be the time. We stand as near as your phone.

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UK NEWS

Japan broadens manufacturing base in Britain

BY NICK GARNETT

THE NUMBER of Japanese wholly owned and partly owned production sites in the UK will rise shortly to It might be questionable just how almost 50 following the decision by Canyon to set up a plant in Nor-thern Ireland for the manufacture

of trigger-type sprays.
Employing about 12,000, these companies plan a further 2,000 jobs in the next year. The UK ranks with West Germany and Spain as the main European centres for Japanese manufacturing and assem-

A large proportion of Japanese investment is in electronics, accord-ing to the latest figures produced by the Invest in Britain Bureau, part of the Department of Trade and In-

Of the 48 Japanese production sites - 40 of which are wholly Japa-nese owned - 19 are in electronics

sector, employing 5,600. About half these are in Wales. Most of these production sites are engaged in producing consumer goods, though they are also making silicon waters and semiconductors as well as office equipment such as

The two largest electronics operations are the television set plants of Sony at Bridgend and Hitachi et Aberdare, each employing about

Recently there has been a surge of investment in heavier engineer-ing and processing largely through Nissan's car assembly plant near Sunderland and Sumitomo's purchase of Dunlop's tyre business.

The engineering sector included two of the earliest pieces of Japanese investment - YKK zip fastners which set up in Cheshire in 1972 and NSK Bearings at Peterlee, Dur-

ham four years later. Recent investment in this sector, which includes Komatsu's excavator and wheel loader assembly site, has reinforced the north-east of England as the main centre for Japanese beavier engineering.
Nine Japanese companies are en-

gaged in this type of processing and assembly work, employing 4,750. More than a half these jobs are accounted for by Sumitomo's opera-

One of the most recent additions is Yamazaki, which is opening a large lathe assembly plant in Wor-cester to the annoyance of the domestic machine tool industry. Two Japanese owned businesses are in switchgear manufacture, one trading under the name George Ellison though it is 100 per cent owned by Mitsubishi.

A further 1,500 people work for a range of other smaller companies producing printing plates, car seats, lighters and other products. Of the

much even basic assembly work is going on in the smeller Japanese operations. At least one company on the bureau list involved in robots

imports all the engineered parts.
It is also frequently difficult to ascertain the local component content of the electronics companies. Many of these use working regimes based on a high proportion of low paid semi-skilled female labour.

With the recent developments in the north-east, England now has the lion's share of employment in Japanese production sites with about 8,000 jobs out of the total. In Wales 3,500 work in Japanese-owned companies and a further 1,000 in Scotland, a large proportion of them at Livingston

Japanese investment in produc-tion in the UK - about £700m including the Nissan second phase -is miniscule compared with US companies in the UK and very small when set against West Ger-

So far there are few signs that the change in the yen value is ac-celerating the pace at which the Japanese are opening production sites in the UK.

The bureau said Japanese compa nies had made nine significant investment decisions this year to set up or expand existing operations in the UK. This compared with 13 last

The speed at which the Japane open new production facilities and arrange further collaborative deals is expected to quicken even though investment will be increasingly

Collaborative deals, particularly those involving the supply of basic parts such as the chassis of a lift truck which are then rebadged by a British company, are an important element of Japanese business.

THE INSTITUTE OF After the Revolution - issues for management A two day conference to be held on Thursday

4 December and Friday 5 December 1986 at
the Park Lane Hotel, London W I Revolutionary changes have swept the City.
Now that the dust is settling we must seek the
way forward. This conference will give the
experts' view from the eye of the storm
providing as a stable storm. the impact of the City Revolution. Conference fee: £400+£60 VAT

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--- 11986 is our 40th year of cash dividend

The 1986 fourth quarter dividend of 76¢ per share on the Common Stock will be paid December 9 to stockholders of record on November 7. About 190,000 stockholders will share in our earnings.

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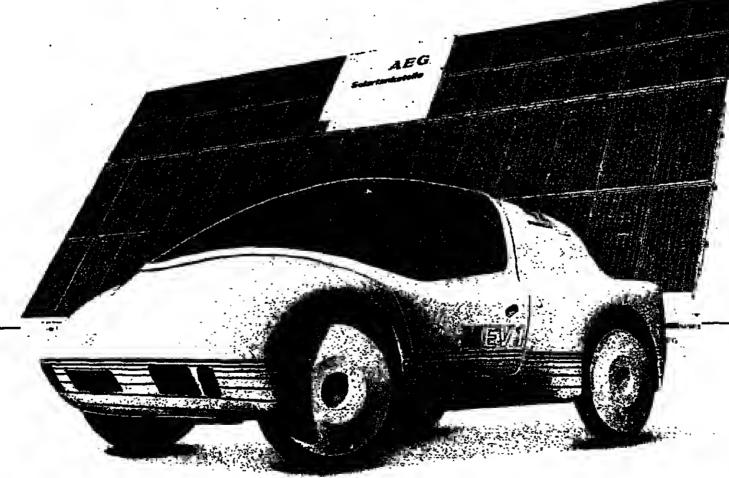
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Karl A. Stewart, Secretary



A Tank Full of Sunshine. Thanks to AEG.

AEG has introduced the world's first mobile solar service station, able to pump solar power into the tanks of five vehicles at once. The station was introduced at the "Tour de Sol '86" where a third of the sun-mobiles were powered by AEG generators, a majority of them winners in many vehicle categories.

These shining examples of innovative technology in solar energy are brought to life by AEG, offering new sources of energy for the most diverse applications... even in sport.

Although using solar electricity to power vehicles is a new technology, it has long been a proven, practical source of energy in domestic and industrial applications. The photovoltaic cell, which transforms sunlight directly into electrical energy is the key to clean, safe solar technology. Lightweight solar panels from AEG are used to

supply power to rechargeable batteries in the home. And for industry, AEG solar technology provides energy for satellites, as well as terrestrial applications such as navigational aids, irrigation systems, water purification systems, communication transmitters, receivers and amplifiers.

AEG (UK) Ltd. 217 Bath Road Slough Berkshire SL1 4AW Phone: (0753) 872101, Telex: 847541 Advanced technology from AEG: electrical and electronic equipment, systems and installations for automation, communication and information, for industrial and power applications, for defence and transport, for the office and the home.



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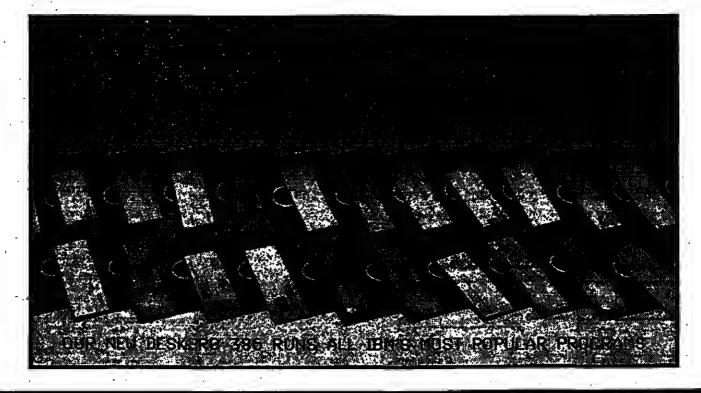
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But since it is crucial to the choosing of a new computer, we thought we had better explain what it means.

(If you already know, please >GOTO the section headed 'pies and napkins.')



WE SHARE THE INDUSTRY STANDARD.

THE COMING OF THE STANDARD

Apple (give them

their due) launched the first personal computer back in 1977.

It was four years before IBM responded with their honest, if rather bovine, PC.

Of course, the IBM machine would not run Apple programs, and vice versa.

War broke out, with the customer caught in the middle.

Soon, vast numbers of programs had been written for the IBM PC, covering everything from accountancy to zoo husbandru.

Other manufacturers, seeing which way the wind was blowing rushed to bring out machines 'compatible' with IBM's. Computers that, in other words, could run IBM programs.

Thus, as with VHS in video, an 'industry standard' quickly became established.

Today, anything outside it is frankly out on a limb.

PIES AND NAPKINS

Unfortunately the 'compatibles', like

the IBM computers they aped, were not (oh dear, how can

we put this?) very remarkable machines.

They ruminated over programs like cows chewing cud.

Then one day in 1981, a group of computer experts met for lunch at a pie shop in Houston, Texas.

Over their coffee and pie, the talk turned to the excruciating dullness of personal computers.

What was needed, they agreed, was a 'compatible' computer that went far beyond what anyone had dreamed of offering.

therefore Being engineers, and uncouth, the tablecloth was govered in circuit diagrams.

Luckily, by the time the bill arrived, the design for a new computer was safely sketched on a place mat.

'It's a great idea,' said one of them, 'but who'll build it?' After a short



check by talking to any computer expert, or reading the trade press.)

Our computers were faster and more powerful than the machines they were targetted against.

features They . had no-one else had thought of, like safety back-up systems and monitors that worked

> equally well with text and graphics. Softwarewise (very

Houston, that) they ran all IBM's most popular programs, plus programs written specially for us.

Such was the demand for them that we now hold the record for the fastest ever entry into the Fortune 500.

THE COMPAQ DESKPRO 386.

The object of this advertisement is not simply to verse you in the lore and legend of COMPAQ Computer.

We want to sell you something. To most powerful the personal computer ever built.

It is based on Intel's astonishing new 386 microprocessor, and called the COMPAQ DESKPRO 386.

Our new machine has 6,250 times more working memory than today's average personal computer.

It runs current 'industry standard' programs 2 to 3 times faster than most other machines on the market.

For networking, multi-tasking and multi-user systems, there is nothing to touch it. That's Just for starters.

Soon, as more and more software

is written for the 386 chip, it will able be

things previously considered to be impossible for a personal computer.

Things like computer aided design, and running 'expert systems' (artificial intelligence, no less).

Best of all - oh shucks, we've run out of space. Ah well, you'll just have to continue this discussion with your nearest COMPAQ dealer. COMPAQ

DESKPRO **385**

WE'LL NEVER CEASE TO AMAZE YOU.

THE INDUSTRY DOESN'T SHARE OURS.

silence, COMPAQ Computer was born.

THE BEST, NOT SWANKING

The first COMPAQ PC was a portable that offered the same power (power = working memory) as machines twice its size. It sold out.

We followed it with a series of desktop and portable computers, each of which met with rapturous acclaim. (This is not your usual addy bragging. It is all true, as you can easily

FREEPOST COMPAQ, FREEPOST (BS 333), 8RISTOL BS1 4YP. TELEPHONE: 0800 444 123 COMPAQ® IS A REGISTERED TRADEMARK AND COMPAQ DESKPRO 386" IS A TRADEMARK OF COMPAQ COMPUTERS LTD. IBM® IS A REGISTERED TRADEMARK OF INTERNATIONAL BUSINESS MACHINES.

MANAGEMENT

"WE ARE constantly trying to avoid the crowd."

avoid the crowd."

This pithy comment on Lloyds Bank'e corporate philosophy by Brian Pitman, tha group chief executive, almost amounts to an understatement. The smallest of the UK'e Big Four clearing banks has so studiously dona things differently from the rest in recent years that it might be accused of perversity. What keeps those accusations at bay is the thought at the back of many people's minds that Lloyds could be the one bank that is getting it right.

Time will be the judge of that, and at the rate the bank-ing business is changing, that could be quite soon.

Llogds is pursuing its stand-out strategy with a doggedness that flows from Pitman himself, a lifetime clearing banker with a near-obsessive dedication to profit-earning and cost-control. The corridor outside his Lombard Street office even has yellow line rather than the plush carpets of other clearers.

The catalogue of Lloyds' wish

the catalogue of Libyds wish to be different begins with the decision at the beginning of the decade to go into the estate agency business at a time when other clearing banks believed that the future of retail banking lay in improving traditional banking services. Today Lloyds owns eoe of the largest estate agency chains in the UK, Black Horse Agencies, and has had the satisfaction of seeing Ham-bros Bank and a string of in-surance companies and building societies follow the same

When Big Bang came along, Lloyds failed to buy a stock-broking firm like the other clearers, and has instead built up its own securities business for a fraction of the price.

Earlier this year, wheo most international banks were spending vast sums developing their newly fashionable international capital markets operations, Lleyds offered £1.3bu to buy Standard Chartered Bank. The rationale to strengthen its international branch network and develop good old-fashioned businesses like trade finance.
The bid failed, but the goals behind it survive, and Lloyds may try again.

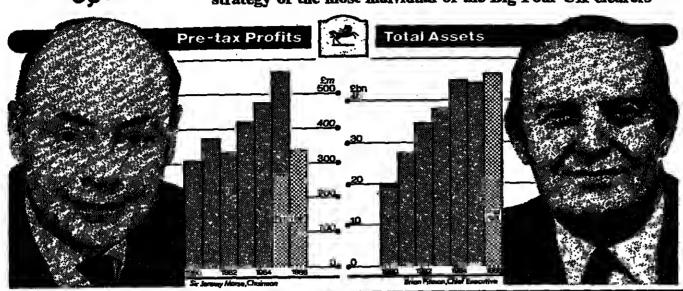
The profit standard is a postative of 18 per cent of 18 per cent

moves has escaped many of Lloyds' observers, particularly those who have grown accustomed to hearing bankers talk dropping off trees. If they're
of their well-honed visions of not badly bruised, we can pick



Lloyds: perversity or perceptiveness?

David Lascelles continues this series with an analysis of the strategy of the most individual of the Big Four UK clearers



the future. But at Lloyds they alk of "rewards" rather than visions".

While Lloyds does have an idea of the sort of institution it wants to be in the 1990s (a bank of world standing), it is driven just as strongly by what one of its executives calls "active portfolio management": it moves in — and eut — of businesses quite frequently de-pending on whether they fit Pit-man's profitability standards,

can cootribute something to the group as a whole. In the summer, Lloyds sold its Cali-fornia subsidiary because it fell short on both counts.

Most receotly, Lloyds has spent £100m buying a medium-sized Canadian bank, Cootinental Bank of Canada, a step which seemed almost bizarre as its 1984 decision to buy the remains of the scandal-ridden Schroder Müenchmeyer Hengst bank in West Germany.

The logic behind all these many of the scaped m

On acquisitions, Pitman talks

them op." That was the think-ing behind the West German and Canadian deals: both banks Canadian daals: both banks hed been in trouble and could be bought cheaply. So long as Lloyds can ourse them back to health—which it has done with SMH in Germany—it has won itself a foothold in a new mar-

In estate agency, it was not so much a matter of acquiring ailing businesses as buying up firms before the competition got the same idea. John Daw-soo, the director of retail banking, claims that Hambros "have had to spend several times what we did" to build up a similar network — Hambros has spent £35m. Black Horse Agencies is now earning £4m pre-tax on annual turnover of £44m, and proving additional outlets for Lloyds financial services like mortgages and insurance. This is still small beer, but Dawson sees these figures multiplying

rapidly. Lleyds has not without a great deal of internal reorganisation. Last year, it merged together its inter-national and domestic banks which had previously been two asparate institutions, in order to achieve cost savings and create a larger, unified balance

This enabled Alan Moore, the treasurer, to build up an inte-grated group treasury, achieving in the process a stronger market presence for Lloyds and better results in such activities as foreign exchange trading. Moore has also forced other divisions of the bank to be more cost-conscious by reviewing tha transfer pricing arrangements through which he charges them for tha funds he supplies. "I make no apology for this. People must be aware of the marginal cost of money." But the treasury can also help other parts of the business by design-

ing "products," like a £200m

interest rate swap earlier this year which enabled Lloyds to

offer a unique fixed rate mort-gage at 9.9 per cent—a hargain for those who took it, as it The next step on the treasury side is to adapt it to Lloyds' increasingly global presence to ensure that the group's far-flung offices are all pulling in broadly the same direction. The treasury may be more closely allied with the new merchant banking arm, which also deals in the financial markets, and it will in any case play a larger role as the present trend towards securitisation of

anking assets continues.

"Gradually, this distinction between a fuddy duddy clearing bank will fade away. We are really one bank," Moore says. Big changes have also been made to the part of the bank that lends mooey to Lloyds' major corporate customers. This ectivity has been removed from branch managers and assigned to central account executives

who act as the main point of contact for all the increasingly sophisticated and varied ecrvices demanded by corporate tree-Robert Medlam, director of corporate banking, says: "This business is no longer dominated by the lending of mocey but by the provision of services." Lloyds loans to large companies

are now negligible (though it has £9bn out to small and medium sized ones). All through these changes Lloyds has been dogged by the spectre of the Third World debt crisis, to which it has the largest relativa exposure of the UK clearers (£3bn out to Latin America alone), but for which it expects no early solution. However, Lloyds has not allowed the debt crisis to inhibit the rest of its international

Investing for the future

LLOYDS CHOSE a hrave but loaely path when it decided not to buy a stockbroker in readiness for Big Bang like the other clearers; this made it seem less enthuslastic about investment banking, which is widely viewed as the most important trend in banking today.

But I lovin her not stood

But Lloyds has not stood back. Over the last year it has created a new subsidiary, Lloyds Merchant Bank, to handle its capital market and merchant banking operations, including a new stockhooking including a new stockbroking including a new stockbroking and gilt-edged dealing business built up from scratch. LMB now has a balance sheet of about \$1.60n and a staff of nearly 800, and will probably be the fastest-growing side of the bank for several years.

Robert Owen, the director

several years.

Robert Owen, the director of merchant banking who was hired from Morgan Grenfell to set up LMB, concedes that one of the major tasks is to establish the credibility of an operation with such a brief track record. "But we were more convinced by the 'de novo! route." He claims that the home-grown gilt-edged dealership which went into action with the Big Bang last week is already as big as some businesses which its rivals

While its big competitors are While its big competitors are concentrating almost exclusively on the world capital markets. Len Kingshott, the director of international banking, says Lloyds still wants to buy local franchises: foreign banks with branches and well-entrenched market positions. This is partly out of an shiding belief in what he calls "the old virtues" of businesses like trade finance and correspondent banking, which can still be highly profitable. It is also to expand the group and provide more onliers for its servicee worldwide.

Although Pitman and his team constantly talk of their goals in terms of profitability, the bank's size is plainly a driving concern too. Lloyds ranks oumber 35 in the world league in terms of assets, which puts it only on the margins of the world's top banks. A merger with Standard Chartered would have pushed it up several notches, and increased its status and lending power.

Pitman denies that growth for its own sake is a strategic objective. But he boasts of the bank's capital strength, which is relatively the highest of the UK clearers, and has been achieved without a rights issue for over 10 years. He claims

bought for large sums of money only a year or two ago.

LMB is not making markets in equities; it is only broking and researching them. But Owen says LMB may buy an equity business next year. "We're in no hurry." Meanwhile LMB is trying to establish itself overseas, particularly in Europe where it is drawing on Lloyds' strong footing in West Germany and Switzerland.

Switzerland.

It has been admitted to the Japanese Government bond market, and hopes to be recognised by the Federal Reserve as a primary dealer in US Treasury bonds quite soon.

LMB also has some catching up to do in the Euromarkets where it lags far down the leagues, despite coming up with some notable innovations like perpenual bonds.

like perpetual bonds.

Possibly LMB's biggest challenge will be to fit in with the rest of the Lloyds group without creating jealousies and conflicts. Oweo expects the investment banking culture to start permeating the clearing bank side as more of Lloyds' corporate customers use capital markets products rather than traditional bank-ing services. This will re-quire "some re-education," he

this is essential if Lloyds is to meet the competition and have the "war chest" for further acquisitions, which is still the chosen route for expansion. Some of his competitors also believed he has set his sights on becoming the first UK clearer to achieve triple A status in

Even so, Lloyds remains a bit of an enigma. While other bankers admire Pitman's boldness and concern with profits, they remain puzzled by his bank's attachment to what one of them celled "bricks and morter banking," and its low key approach to investment banking.

Nor has Lloyds' profit per-formance earned it any notice-able premium on the UK Stock Exchange where its chares have been trading at similar relative values to Barclays and NatWest, which have been earning com-parable returns on their capital. If the present fashion for capital markets proves to be a chimera, Lloyds will, of course, appear to have chosen a wise course. But that is not a judgment anyone is yet willing to

appeared on September 8 and 22, and October 5

Management abstracts

In-house cash dispensing K.
Barker in Accountancy Age
(UK), June 12 86 (1 page)
Briefly describes how Pedigree Petfoods has installed cash
dispensing facilities at its Midlands plants to encourage staff to accept payment by credit transfer; notes similar systems operating at the Bank of Eng-iand and the Swiss Bank. de de la de de la de la

August 66 (one page)
Describes a legal format
called the European Economic
Interest Grouping, the purpose
of which is to be a fiscallyexempt, non-profit making structure for the operation of joint activities for parent com-panies from more than one member state; gives some uses for such a structure.

for such a structure.

How boards function in turnover at the top, W. F.

McCanna & T. E. Course in
Business Horizons (US).

May/June 1986 (six pages)

Examines how a board should
operate when faced with replacing a chief executive; focuses
oo the "chicken-and-egg"
dilemma of whether to replace
first then form a new strategy,
or form a new strategy and then or form a new strategy and then replace.

Are shop stewards setting weater? M. Terry in British Journal of Industrial Rela-tions (UK), July 1986 (10]

pages) Regards the power and in fluence of shop stewards as an elusive quantity; examines the indices used hitherto to try to estimate this, i.e. organisational e.g. meeting frequency) and substantive (e.g. number of strikes); supplements these with evidence from recent case histories; finds it impossible to provide a sample answer to the stel's question, although it seems to point to a qualified yes. Audie visual and the design dimension. R. Swain in Audio Visual (UK), July 1986 (2

pages) Argues that computer graphics are not limited in scope to Elide-making, video graphics, simulation, and animagraphics, singustion, and anima-tion but can make a major con-tribution to graphic design across the full spectrum from advertisements to pack design and textiles; sees designers' lack of relevant knowledge and/or desire to use computer graphics as the main stimbling block

These chatracts are condensed from the abstracting journels published by Anbar Managament Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (Including VAT and p & p; east white order) from Anbar, PO Box 23, Wambley HAB ROJ.

Service Marketo Marketo

The Booming Anhui Textile Exports

Anhui Branch of China National Textiles I/E Corporation, as a state-operated enterprise with legal entity status, is the sole specialized corporation to deal in the import and export of textiles in the province. We have seven business management divisions specialising in raw material, gauze, artificial fibres, knits, cotton knits, garments and development and seven other divisions involved in various

Our main products fall in some 50 categories including cotton, cotton yarn, cotton piece-goods, printed shirting, ramie yarn, ramie ods, cotton manufactured goods, synthetic fibres, cotton knitwear, wollen knitwear and garments



Apart from the superti quality of our products and services, our uccess in establishing a worldwide reputation and maintaining a substantial annual sales increase are also attributable to various other unique factors:

1. Anhui province, situated in the lower reaches of the Yangtze River in southeast China, is endowed with fertile soil, mild climate and abundant rainfall, which provide the ideal conditions

2. Our textile industry has a complete range of spectrum. including cotton textile, hemp textile, wool textile, slik reeling, printing and dyeing, yarn-dyed fabrics, knitting and chemical libre. There are about 250 textile mills which have more than 800,000 spindles and nearly 30,000 looms in operation. About 100 mills are engaged in production for export.

3. The sea, land and air transportation network is well developed. eniently crisscrossing the entire province.

Under the policy of "opening to the outside world and invigorating economy at home", the past five years have witnessed a licant expansion in the textile exports of our province. Our export volume in 1984 quadrupled that of 1981; with 44.5% growth on the average annually,

At present, we have established business relations with more than 300 companies in the world. Business talks with traders from all over the world are most welcome. Co-operation can be to the forms of processing of supplied or imported materials, compen tion trade, agency or joint venture.

China National Textiles I/E Corp., Anhui Branch Import and Export Building, Jinzhai Road, Hefel, China Tel: 60870 Cable: 0756 Hefel Telex: 90015 AHTC CN

Anhui Animal By-Products

Anhul Animal By-products Branch of China National Native Produce and Animal By-products I/E.Corp. is the acle lawful sales agent specialising in the import and export of animal by-products in Anhui.

Anhui Province has rich supplies of quality animal byproducts. The province ranks among the biggest producers of feathers of unrivalled quality, specially known for their thick

Anhui is also a major producer of rabbit hair, which is soft, pure white and of atandard length.

Anhui raw goatskins are noted for its fine grains, softness and tenacity. Our bristles are resilient and of appropriate toughness. Our animal feedstuffs are all of excellent quality.

We mainly handle the following products: rabbit hair, rabbit hair yarn, feathers, down, various feather and down products, raw goatskins, leather garments, fur and fur products, casings, hristles, briatle bruehes, mane, goat's bair and animal feedstuffs.

Besides I/E trade, we are also active in supplied material processing, compensation trade, joint production and joint ven-





China National Native Produce & Animal By-Products I/E Corp. Anhui Animal By-Products Branch

I/E Building, Jinzhai Road, Hefei, China Telex: 90012 AHXC CN Cable: ANHUXC Tel: 61685,61269



You've got two weeks to put location proposals to the Board.

Scotland, as a general location youve already looked at. It's always one of the first that comes to mind.

But does any specific location here recommend itself clearly? Think of Edinburgh Castle, that country's most famous landmark, and remove yourself westwards for 15 minutes.

You're in Livingston, in beautiful rolling countryside.

You're on the M8 Motorway, 30 minutes from Glasgow's Airport and 10 from Edinburgh's.

You've got a choice of fully serviced industrial estates-including a hi-technology park-and a wide variety of available factories and offices. You've got neighbours. Over 250 of them. Burroughs, Burr-Brown, Johnson & Johnson, Ferranti, NEC-to name just a few who are

expanding vigorously. You've got specially close research links with Edinburgh University, the Wolfson Microelectronics Institute and Heriot Watt's Computer

Applications Services. You've got Development Area status Investment grants of up to 35%, rent-free periods, plus European Community

assistance. And you've got us.

A Development Corporation that can put together a detailed personalized prospectus on Livingston for your particular company

In hours if you push the panic button.

Could anything be clearer or more specific than that?



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Europe's most logical location.

Architecture/Colin Amery

Ingenious solution to sound problem

London has acquired a new creaking Victorian dignity of secret. Tucked away in a courtyard of the South Kensington
fastness of the Royal Cellege of
Music is a brand new small
opera house that looks right,
sounds right and did not cost

"It has much creaking victorian nignty in
the main entrance.

The College, and a lot of Londoners, feel sentimental about
all the late 19th century curiosities that fill South Kensington,
sounds right and did not cost
and it is a tribute to the administration and in the archi-

3 1586

R LORENZ

sement racts

ands and

For some £2.7m Sir Hugh Casson and David Ramsay of the Casson Conder Parinership have designed the kind of small opera house everyone has been saying for years that the capital needs. It has been funded from the College's Centenary Appeal which the Prince of Wales lannched in 1981 and which has been supported generously by commerce and industry and leading charities.

This fund has been so successful that the college bas e new library, a student dining facility and common room. All of these elements fit well within the college building designed in the 1890s by Sir Arthur Blomfield.

Blomfield, an architect better known for his giant churches than anything else, produced a French baronial chateau for the site that the Royal College acquired from the Commissioners of the 1851 Great Exhibition. As you walk down the Albert Hall the twin towers of the College with their Cameof the College with their Came-lot-like corner turrets are the first thing you notice, then the

ministration and to the archi-tects that they have both man-aged to expand and to remain in the old heme. How splendid it would have been if the Im-perial Institute had been incorporated in its entirety into the College that bears its name and sadly managed to save only the Collcutt tower.

The Britten Opera Theatre will be opened on November 5 in the presence of the Queen and the Prince of Wales. For now the use of the theatre will bo restricted to the students but there is no doubt that a tremendous demand exists in London for a theatre of this size and quality for opera. Mozart sounds close to perfection here, and the scale is reminiscent of the Swedish Court Opera at Drotningholm. The seating capacity is 418 and the large stage, complete with fly tower, has an orchestra pit

for up to 80 players, ... The architects have done a great deal of bomework and listening. They have measured sounds and dimensions in all the best places for opera and rather florid, blushing red of bave understood their clients' the bricks and the ponderous, needs perfectly.

The result is a traditional-looking auditorium designed to meet the exacting acoustic demands of the College. Herseshoe-shaped galleries with swelling fronts and red valvet ledges occupy three tiers and there are four stage boxes. It is the reverberation time that determines the dimensions to achieve 1.1 seconds in performlarge an internal volume as

To fit this auditorium into the west courtyard of the school was a tight fit but the whole opera house is scaled to suit young voices and so the squeeze has benefitted both tho design and the acoustic. The tesign and the acoustic. The result is an ingenious solution that is elegant, comfortable and feels as though it has always been there. The 18th century precedent has not been slav-ishly followed but the influence

That enterprising gallery, Tho 9H Gallery (26, Cramer Street, London, W1) is playing host to one of Japan's most interesting and influential architects. Until November 14, the work of Tadao Ando is to be seen. He may be familiar to viewers of Pater Admir answer PRC of Peter Adam's recent BBC television marathon series on modern architecture. His houses



Creating a sense of occasion and style at the new

Initially his use of concrete is hard and unsympathetic but

open to the sky, so that contact minder.

Britten Opera Theatre, hidden away in London's Royal College of Music and flats and a church all with nature is not lost and the demonstrate a refinement and elemental feeling of his work understanding of the unances is maintained. The influence of geometry that is extremely of Le Corbusier, particularly the chapel of the monastery at

work. he uses it to underline his The exhibition deserves a beliefs in the spareness, clarity large attendance because there and almost empty interiers of is ue doubting the authenticity traditional Japanese architecand originality of Tadao large attendance because there

La Tourette, is strong in this

ture. His concrete is smooth, Ande's work. Initially be may mixed with a blue sand and almost silky to the touch.

Ho understands light and the movement of the sun and the gloriously austere movement of the sun and the geometry is what good archiclonds. Often his houses have tecture is all about. This show clouds. Often his houses have tecture is all about. This show an enclosed courtyard that is from Japan is a timely re-

The Man Who Mistook His Wife for a Hat/ICA

Martin Hoyle

Oliver Sacks has already heightened form of expression inspired fascinating theatre. is lost, Of course be does every-Harold Pinter based A Kind of thing to music. So do they all. Alaska on Dr Sacks's studies This is an opera. en the return of sleepingcickness victims to consciousness in some cases after a quarter-century. Now the ICA presents a 60-minute opera based en another of the neurologist's case histories; although one ungratefully queries whether the coutrast between accepted "normality" and the shnormal is not actually blurred when all is expressed with the beightened artifice of opera.

Dr P a brilliant music teacher, has a "deficit" (a favourite neurological term) in visual perception. He describes perfectly the rose or the glove placed in his hand but is unable to tell what they are. He leads his everyday life to music, even down to eating and dressing. Without music—his own, inner music—he grinds to a balt; the vital co-ordinator between perception and identifi-cation is missing.

Dr Sacks (who, with the com-Dr Sacks (who, with the composer and director, will discuss the work at the ICA at lunchtime on Friday) has described the illustration of the case by an opera as a "brilliant inspiration." And yet since opera's basic mode of communication is music, the point of the individual able to cohere only in the

This is an opera. Christopher Rawlence's text has added detail to the original

account: a wirtuoso chess-game which Dr P. casually plays while wandering round the stage and, often, actual words attributed to the patient, as when be tries to describe the picture set before him ("a snowflake, a sunflower, a map of Dresden"). The neurologist opens and closes the work with spoken narration. Tho composer, Michael Nyman, is best known for his

film score to The Draughtsman's Contract. His idiom is accessible: lyrical vocal writing over an urgently chugging accompaniment where—in this case apposite—musical references apposite—musical references and quotations, and the well-knit bot clear texture from the seven-strong band of plano and strings including harp, recall the immediately attractive style of Villa-Lobos's Bachianas Brasileiras with a dash of ostinatoprone minimalism. Emi-nently listenable-to (orecchi-abile is the graceful Italian word), at first hearing the score seems to lack sufficent rigour to

add depth to the story: superior background music, perhaps.

There is a next sense of

in Dr P's loving loyal wife (Patricia Hooper). In Michael Morris's production (hospital screens part to reveal the composer at the plane; the erchestra sits at a higher level of the horseshoe space) Emile Bel-court's narrator is characteristically quizzical and incisive (the singers' body-mikes saemed unnecessary). Frederick West-cott's afflicted academic is touching, not least because of the character's cheerful unaware ness of his malady. But how odd that his musical obsession should be portrayed by non-musical means—this man who literally lives by music merely portray a close "portray" for mouths a stlent "pom-pom" for most of the time. Despite such consciously "operatic" as the patient's jolly patter during examination, for instance, the work remains an example of an operatic oportunity lost.

my review of the RSC on tour rendered Rachel Joyce's name unrecognisable; and the warmth of Fiona Shaw's prickly Beatrice was not ill-conceived, just happily ill-concealed. For mis-naming John Shrapnel in my review of The Archbishop's Ceiling I can only blame old technology (my memory) and apologise.



Michael Nyman (at piano) and Frederick Westcott

22nd Bratislava music festival

One of the most noticeable tity—a concept barely acknow-ledged under the Austro-Hun-garian empire and papered over by the "one nation" ideology of the first Czechoslovak republic. The aim of the Bratislava music festival, which has just marked its 22nd anniversary, has been to celebrate this flowering of Slovak pride in an international context, But it nas seen an uphili struggle. The festival, like the city, has always the opera house. All the eccentric and infuriating human had to play second fiddle te Prague, and although it gained momentum after its relaunch as an autumn event in the 1960s, it remains a very pale reflection of the spring festival in the Czech capital.

For centuries the Slovak region has been known for the artists who deserted it for the nearby attractions of Vienna and the world beyond; the composery Johann Nepomuk Hummel and Franz Schmidt were born in Pressburg, as Bratislava is known in German, and all today's best-known Czechoslovak singers—Benackova, Popp, Gru-berova and Dvorsky—happen to

But none of these names appeared on this year's festival programme: the celling for artistic fulfilment in Bratislava remains very low, and there is little of the contact and cross-fertilisation that provide the life-blood of healthy musical life. Although the festival organisers try to give some semblance of internationalism, their lack of currency resources. limits them to an unimpressive list of eastern bloc artists, with the occasional taken western representative to satisfy the large local curiosity.

The real value of the festival - should be to provide a showcase for native talent and art, but judging from what I saw and heard during my latest visit, it does so with very mixed results.

A visit by the State Theatre of
Kosice brought a double bill of

developments in Czechoslovak act opera by the 59-year eld life since the War has been Slovak composer Milan Novak, the growth and recognition of whose theatre experience lies a separate Slovak cultural idenoperetta.

> The music of Prestanka turned out to be rather anodyne, full of staccato rhythms, brassy chromatics and sub-Waltonian scherzando passages. But its very harmlessness has some-thing in commin with the subject material, a light-hearted mirror of provincial social graces at been more in place in the Ger-man or English provinces than in Bratislava, where the 100-odd members of the audience seemed sober to a fault. The opera is well-suited to ensemble of modest propertions, with something for everyone. The Kosics stage production was excellent, the musical per-formance less so. There were some good voices, and a sense of lively ensemble. The Pucchi, sung in Slovak, was altogether rather hapless.

Two performances by the Slovak National Theatre showed how far standards can vary. Jan Cikker's most recent opera The Siege of Bystrice (another, his ninth, is due for February) shewed neither the composer nor the ensemble in a flattering light. Anyone who knows Cile ker's orchestral and choral music or his epera Resurrection (seen at the Edinburgh festival in the dense and bumourless music translates to the medium of comic opera. The answer is: it

The plot itself is a good one, concerning a count with a Basil Fawlty mentality, whose naive and rather touching humanity eventually comes to the surface through the havoc he creates. But the meandering earlymodern vocal and orchestral writing neuters its wit. One of

through the score, and the singers, playing to another un-festive, quarter-full house, lacked motivation.

Cikker is one of three Slovak composers whe pioneered a national repertoire after the War. Today much of their music sounds dated. Alexander Moyzes died last year, and the third, Eugen Suchon, has never enjoyed a comparable reputa-tion outside home territory, in spite of the runsway early success of his first opera.

Suction's only other opera.
Suctionists (1960), received a sparkling festival performance under Ordrej Lenard, the company's former music director, who galvanised the large choral and orchestral forces to a sfir-

eluded a recital by a young Slovak tenor, Stefan Margita, whose unusually penetrating lyric voice guarantees him a bright career if he can get the message of the music across with greater subtlety. A programme by the Stamitz Quartet offered Martinu's seventh quartet, a civilised soothing work, a real discovery. The actual playing was dull, but the ensemble was transformed by the presence of Michael Collins in Weber's Clarinet Quintet. Almost all the new Slovak music I heard, including chamber and vocal works by Emil Hlobil, Ladislav Holoubek and Ilja Zeljenka, seemed to follow a trend towards simplicity and directness.

Scotto & Soderstrom at the Met

Andrew Porter

ambition then led into ber complete performance of beavier roles—Nerma, Lady Butterfly, but a gripping one. Macbeth, la Gioconda—that took toll of her lyric soprano, her Met debut in 1959, as But she has not abandened Susanna; she sang Marguerite Butterfly, and this season sings it again of the Met. in her was and Rosalinde. Then

ised" edition, Scotto portrays the more complex character limned in Puccini's earlier ver-

When Renata Scotto made soft exchanges were exquisitely ber Londou debut in 1957 done. Scotto's acting was sim—Mimi, Adina, Violetta, and pler and less mannered than it Donna Elvira at the Stoli—she has sometimes been. It was a was halled in these pages as a carefully studied, not a sponnewcomer destined for fame. taneous, performance, but a Her Covent Garden debut five model of a familiar opera. The years later and Met debut in rest—Vasile Moldoveann's Pink-1985 were both as Madamo But-terfit, of which role she became Santi's conducting—was reliable the leading interpreter. Artistic background. So it wasn't a

Butterily, and this season sings and Rosalinde. Then, during the stagning.

It's a remarkable interretation. While retaining the standard, shortened, "sentimental- but this season she is back at the standard of the standar last, as Mozart's Countess and the Marschallin. Not too late, who galvanised the large choral and orderstral forces to a single better effective work itself, simple but effective works an anchest and curtulent period of Slovak history, aided by strong musical characteristics, and does so without the beav underlining of many the countess music was beautifully inflected, sung with disposition and a spiky lynicism that only a Slawic composer could create. The production by Branislav Kriska, with sparse, imaginative decor by Ladislav with the Consul says last season, is wildly overprowing principle of the mere and sund the principle of the state of the consul says last season, is wildly overprowing the overprowing principle of the principle o

Saleroom/Antony Thorncroft

General Sir John Asser was affair should stimulate futerest in the 27 orders and medals bo

the man who put down the decorations still seem cheap:
mutiny which was not started except, that is, for the Victoria
—despite the BBC—by the Cross. One is on offer in this
the recent notoriety of the Trumpet Melon Polyart Kells of affair should stimulate finterest the State of Robert Relief to Sand Robert Robert Relief to Sand Robert Robert Relief to Sand Robert R

The voice can no longer sustain high notes purely or if a bit peasanty; Thomas steadily; the climaxes of the Entrance and "Un bel d!" wore painful. But confidences and Count.

Saleroom / Antony Thomas Saleroom / Saleroom / Antony Thomas Saleroom / Saleroom then, medals and decorations still seem cheaptexcept, that is, for the Victoria Cross. One is on offer in this auction. It was awarded to Trumpet Major Robert Kels rise and allowed to do charactershe 9th Lancers who, desired against a number of emy "his were allowed to do charactershe still were allowed to do charactershe 9th Lancers who, desired against a number of emy "his were allowed to do charactershe state of the state of th

clapping.
Of its kind, it is all wellenough done under Andrew
Hay's direction. Nostalgic pop
records of the 50s are played
between the scenes, Ruari Murchison has designed a bomely two-room set, a living-room fer living in, a front room for dying in. and an unnecessary staircase and first floor landing that are not used. If you like this sort of thing, it's the sort of thing you'll like.

Northern Ballet Theatre

Clement Crisp Northern Ballet Theatre the music: Renaissance dance

last week marked its return to may never have been exactly base at the Royal Northern like this, but illustrations of College of Music with a programme of three works new to Manchester. Two are creations by members of the company; the third-and most considerable—is Michael Corder's

Ancient Airs and Dances. This
takes its title and inspiration takes its title and inspiration from Respight's arrangement of Italian remaissance lute tunes and, because ho is musically sensitive, Mr Corder has edopted very much the same procedures as Respight. The score is by turns gentle, busyant, tender, and is well played by NBT's orchestra; Charles Mando's handsome costuming owes something to Rottleelli owes something to Botticelli

sance ideals, stresses pattern rather than individual display. There results a work of real charm with four couples epperting as companions and chorus to two central pairs—

Virtuosity is newhere imposed. Mr Maude's long and well-cut dresses for the women fellow and enhance the curves of step and gentle pose. The men, in doublet and hose, burst once, in a danza rustica, inte bolder activity. Everywhere there are the signs of apposite

quattrocento festivities spring at once to mind as we watch this unforced, delightful ballet. Its sense of spring-time inpo-cence is enhanced by Mo cence is enhanced by Mande's decorative device: be shimmering, pearly panels of fabric, with black curtains behind. These part as the dance develops, to revoal suggestions of a sunlit landscape: the effect is visually apt and omotionally Neither of the two creations

which completed the programme on Friday night can be ccounted as well-made as Mr Corder's piece. David Newson's Judging Distances finds its cast dressed pour le sport by Hilary Norton, while Decussy's Petite suite is played by plano duettists at the back of the stage. The choreographic argument is that dancers must, unsurpris-

ingly, assess distance on stage. and there is an implicit conflict and resolution associated with this theme as the action progresses. The style is lively, promising Jeremy Leslie-Spinks' Seal-

gair (which is Gaelic for Hunter) is the old story of the seal-woman luring a hunter away from his true love. It is also the old story of good dramatic intentions finding less than convincing dance realisa-tion. Holst's St Paul's Suite (with electronic wave noise and seal cries interspersing its movements) is an unlikely accompaniment te fishermen beating the stage with sticks and quantities of fur fabric representing seal pelts.

BANK RETURN

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Arts Guide

Music/Monday. Opens and Bellet/Tuesday. Thesks/Wednes-day. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Haenchen, with Ernst Kovacic, viol-in: Haydn, Mozart, Brahms (Tue to

Utrecks, Vredenburg, Ken-Ichiro Kob-ayashi conducting the Netherlands Philharmonic, with flya Grubert, vi-olin: Strauss, Sibelius, Saint-Seens

Amsterdam, Meervaart. Isabelle van Keulen, violin, and Mathias Weber, piano: Beetheven, Mozart, Franck (Wed). (1073 93).

CHICAGO

Chicago Symphony (Orchestral Hall): Claudio Abbado conducting, Isaac

NEW YORK

New York Philharmonic (Avery Fischer Hall): Zubin Mehta conducting,

Joseph Robinson oboe. Haydn, Strauss (Tue); Zubin Mehta conduct-

ing, Engene Levinson double-bass, Charles Rex violin, Joseph Robin-son oboe. Haydn, Hindemith, Koussevitzky, Scriabin (Thur). (Lin-

The New Bel Canto (Federal Hall):

Carlos Arevalo vocalist recital as part of hunchtime concert series for

Ellington, Ives and others (Mon, 12.15). (Wall & Nassau Sts 269 0320).

coin Center (874 2424).

Stern violin, Yo-Ye Ma cello, Mozart, Tchaikovsky (Wed), (435 8111)

Thur), (414 29 11),

(Wed). (31 45 44).

Music

LONDON London Philharmenic conducted by

Klaus Tennstedt, Bruckner, Royal Festival Hall (Mop), (928 3191). Philharmonia Orchestra conducted by Owain Arwel Hughes with John Og-don, piano. Elgar, Rachmaninov and Vaughan Williams. Boyal Festival Hall (Wed).

Royal Philhermonic Orchestra con-ducted by Yehndi Memhin with Justus Frants, piano. Handel/Mack-erras, Mendelssohn and Vanghan Wilhams. Royal Festival Hall

ITALY

Milen: Testro alla Scala: with Walter Yeller conducts Rachmanhov with planist Aldo Ciccolini, Also Dukas and Kodaly (Wed and Thur).

Rome: Auditorium di Via della Concil-inzione: Chamber Orchestra of En-rope conducipa by Gerd Albrecht. Mendelssohn, Schoenberg, Schu-bert (Mon and Tue). (634 1944).

Rome: Teatro Olimpico: (Piezza Gen-tile da Fabriano) Berlio, Boulez, Peragalio, Petrassi, Viad and Kena-kis (Wed). (\$935.06).

VIENNA

Vladimir Spivakov, violin. Sergej Bestrovan, Stravinsky, Brahms, Musikverein (Mon).

Amsterdam Concertgebouw. Simon Rattle conducting the Concertgebouw Orchestra, with Maria Ewing. Pedro Soler, guitar. Classic Flamenco. Musikverein Brahms Saal (Tue).

Vienna Symphony Orchestra conduct-ed by Ferdinand Leitner with Misha

Dichter, piano. Schur Musikverein (Thur). John Shiriey-Quirk, Reder, Charles Spencer, piano. Purcall, Williams, Pfitzner, Liszt. Musikverein

Brahms Saal (Thur).

PARIS

Verdi Requiem performed by Orches-tre du Capitole de Toulouse and Concerts Colonne conducted by Michel Plasson with 260 singers from the Vienna Singverein and The Prague Philharmonic Choir (Wed, Thur). Palais Omnisports de Paris-Bercy. (4342 0806).

Prokođev's Ange de Feu in concert version, conducted by Myung-Whun Chung (Mon, Thur). Paris Opera (4286 5022).

Orchestre de Paris conducted by Christoph von Dohnanyi, Alain Moglia, violin: Schubert, Lutoslaws ki, Dvořák (Wed, Thur). Salle Pieyel (4563 9796 from 1pm to 5pm).

Jose Carreras recital: Bellini, Tosti, Denza, Cavallo (Mon). Théatre de l'Athenée (4233 9732).

NETHERLANDS

mezzo: Haydn, Ravel, Stravinsky

October 31-November 6 otterdam, De Doelen. The Rotterdam Philharmonic under Hartmut

National Symphony (Concert Hall):
Rafael Frühbeck de Burgos conducting, Narciso Yepes guitar, R.
Strauss, Rodrigo, Falla (Tue); Mstislav Rostropovich conducting, Barber, Schubert, Rimsky-Korsakov (Thur), Kennedy Center (254 3776).

TOKYO

237 9990).

Hiromi (Mada (piano). Beethoven, Brahms, Bartok, Schumann. Tokyo Bunka Kaikan Recital Hall. (235 1861). (Mon). Smetana String Quartet: All-Recthoven programme. Tokyo Bunka Kai-

Bolshol Theatre Sexiet with Elena Shkolnikova and Aleksandr Voroshilo: All-Russian programme, Chuo Hall (Wed). (235 1681; 237 9990). Tokyo Metropolitan Symphony Or-ekestra, conducted by Kazuhiro Koi-zumi, with Mariko Senju (violin).

kan Recital Hall (Wed). (235 1661;

All-Tchalkovsky programme. Tokyo Bunka Kalkan (Wed). (822 0727). Waseda University Symphony Or-chestra conducted by Edward Heath Wagner, Haydn, Dvořák. Suntory Hall, Akasaka (Mon. 2pm). (505 1010). (505 1010). Mitsuko Uchida. Complete cycle of Mozart Piano Concertos. English

Chamber Orchestra, conducted by Andrew Litton. Also Haydn, Suntory Hall, Akasaka (Tue). (505 1010). English Chamber Orchestra conducted by Andrew Litton. Britten, Mozart. Suntory Hall (Wed). (505 1010). the Wall Street area. Poulenc, Weill,

and Buontalenti; the choreo-graphy, very properly for move-ment that looks back to Renais-

Daniela Buson and Marcelle Angelini; Syvlie Guillaumin and Michol Mesnier, Mr Corder devises the nestest permuta-tions as he interweaves little chains of dance, breaks and reforms shapes, passes ideas along a line of dancers, or across the stage from performer to perfermer in canonic patterns er mirror images.

movement that goes featly with

Monday November 3 1986

A coup for Mr Miyazawa

Mr Kiichi Miyazawa, Japan'e ing the reform proposals. Even Finance Minister, has every reason to feel pleased with the accord be reached on Friday with Mr James Baker. He has, in effect, persuaded the US Tracsyny Scertary in put a flow Treasury Secretary to put a floor under the dollar by agreeing publicly that the present yen rate is "broadly consistent" with underlying economic fundamentals. Efforts by the damentals. Efforts by the Americans to talk the dollar down against the yen are a thing of the past, despite the still yawning trade imbalance be-tween the two countries.

It is significant that the cur-It is significant that the currency pact has been reached at a time when the yen is well below its recent highs against the dollar. Jepanese industry's fears earlier this year that it might be saddled with an exchange rate of Y150 or stronger may now seem misplaced. The trading range is likely to be a much more manageable Y160-170, with the ageable Y160-170, with the Jepanese doubtless pushing hard for the weaker end of the

Cheap credit

Jepan appears to have neutralised the US threat of e still weaker dollar without making any material con-cessions. Certainly, Mr Miyazawa has not agreed to monetary or fiscal measures which are likely to boost Japan's very sluggish economy significantly. The half point cut in the discount rate will hardly galvanise an economy reared on cheap credit, which leading domestic forecasters now expect to grow by less than 2 per cent this fiscal year,

Nor is the much-vaunted expansionary supplementary budget a new fiscal atimulus of any substance. Japan has e supplementary budget every eutumn. This year's had already been announced and offsets cutbacks elsewhere. It is expected to boost growth by no more than a meagre 0.1 or 0.2

Mr Miyazawa'e third commitment is to far-reaching tax reform, which will "unleash Japan'e growth potential." However, the timing and However, the timing and radicalism of the measures is beyond his control. It lies mainly with the ruling Liberal Democratic Party's Tax Commission, whose boss is unsympathetic to Mr Nakasone, likely to reflect the interests
the Prime Minister, and who of the world economy as a
has talked about simply neglectwhole than bilateral talks.

Helsinki

Reagan and Mr Gorbachev.

If world interest is focussed

more on what happens on the sidelines of the conference—the

bilateral meetings between Mr Shultz, the US Secretary of State and Mr Shevardnadze, his

Soviet opposite number—than on the official proceedings, thet is only netural in the circum-

After the breathtaking pro-

gress on nuclear arms control made at the Reykjavík summit,

expected to do their numest in Vienna to find a basis for a resumption of the stalled nuclear erms negotiations in Geneva. It is to be hoped, how-

ever, that their energies will not be entirely diverted from the subject matter of the wider conference.

While substantial progress has been made recently in the security field — the agreement

THE meeting in Vienna this reached in September at the week of the 35 signatories of Stockholm Disarmament Conthe 1975 Helsinki agreement on ference on military confidence-

the Western and Eastern countries have been raised to the point where a return to nreviously entrenched positions seems inconceivable.

The detractors of the positions are the positions of the positions of the positions are the positions of the positions of the positions are the positions of the positions of the positions are the positions of the positions of the positions of the positions are the positions of the positions of

information.

West's attempt to achieve results in the human rights

case take time to produce results. Moreover, the "revenue results. Moreover, the revenue neutral reforms under discussion, which involve the introduction of Western distortions such as the double taxation of saving and income from capital, could easily have perverse results. Japan has enjoyed exceptional growth partly because its tax system has not, like Britain's and America'e, favoured consumption and borrowing over invest ment and saving.

Mr Miyazawa's diplomatic triumph is to reach an amiable understanding with Mr Baker without doing anything significant to speed up the Japanese economy which, in relation to its size, is doing even less than West Germany's to spur growth worldwide. Mr Baker could surely have demanded substantial tax cuts or substantial additional spending as the quid pro quo for the exchange rate retief the Japanese needed so desperately. That he did not is a sign of US weakness and its status as e debtor that needs Mr Miyazawa's diplomatic its status as e debtor that needs Jepanese capital to fund its budget deficit.

Bilateral accord

Friday's accord between the US and Japan is another step along the difficult road from freely-floating to managed exchange rates. The fact that, unlike last year's Plaza agree-The cross exchange rates between major currencies are

not of interest only to the two countries directly involved. The D-merk's value will inevitably be affected by the Baker/ Miyazawa pact, as will sterting's. West Germany and the UK are thus likely to pay a penalty for falling to support US calls for would be destrable in future

a reversal of these gains, even if only partial and temporary, would smack too much of The road from

an economy riddled with infa-tion-proofing devices, imposed blanket wage rises and e rigid security and co-operation in building measures is an Europe will provide the first outstanding example — the opportunity for joint stock-taking of East-West relations after last month's near-miss summit between President so-called "Basket Three" prosummit between President visions of the Final Act. These

THE Cruzado Plan—Brazil's

much - lauded heterodox shock treatment for hyper-

inflation — was most remark-able for the apparent painless-

shie for the apparent paintessness of the cure. Now, nine months later, with the original plan on its deathbed and Cruzdo II imminent, e dose of orthodox pain is high on the list of remedies.

With demand far outstripping and

ping supply, wages scaring and investment stagnant, intolerable

inflationary pressure has been building up in the price-frozen economy.

Yet until the other day, with

key elections just three weeks away, the Government doggediy insisted that its petient was doing well. Fiscal measures and an unfreezing of prices

were repeatedly ruled out, despite a Greek chorus of indus-trialists and economists clucking nervously et the economy's bedside.

Now everyone, even President Jose Sarney in of of his weekly radio addresses, has edmitted that something must

be done to take some steam out of the scalding pressure cooker of the Brazilian economy

-some price rises, and hence more inflation, look inevitable.

The question now uppermost in the minds of Brazil's businessmen, academics and foreign

creditors is "How tough is the Government prepared to be?" At

development programme aimed at meeting its beartfelt objec-

tives—the eradication of poverty by the end of the century and e seat as of right at the high table of the world's

involved in setting the economy

on a straighter course put Mr Sarney in an acute political

"If they carry out a fiscal reform, getting rid of the wage-

rise trigger, and include some

unfreezing of prices and a

gradual squeeze on spending, they could return to the kind of growth levels that baven't been seen since the 1960s," says professor Rudi Dornbusch, e long-time Brazil-watcher et the

Massachusetts Institute of Tech-

nology.
If not, however, the conjunc-

tions of factors that are now equeezing crucial investment,

and fuelling inflationary pres-sure, will continue to inhibit

real growth potential.

The Dornbusch prescription, with varying emphases, is shared by a clear majority of analysts. But there are serious

loubts, backed by the last nine

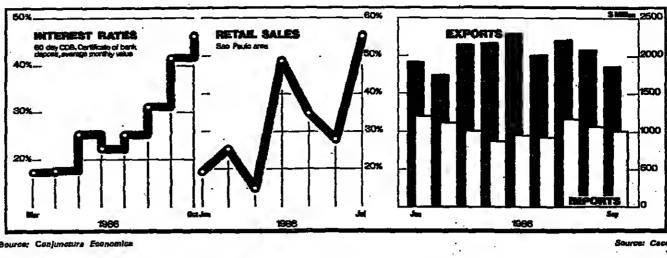
to popular superman. The higher wages and extraordinary

ection victory for the Govern-

experience, as to

great industrial powers. But the political problems

THE BRAZILIAN ECONOMY



A suitable case for shock treatment

By Ivo Dawnay in Rio de Janeiro

price freeze and created the psychologically powerful fixedrete unit of currency, the cruzado by knocking three zeros from the discredited cruzeiro.

Its targets were twofold: to break the "inertial" inflation, the vicious spiral of anticipated price and salary rises that had set Brazil on course for inflation of 500 per cent a year; and to of 500 per cent a year; and to end the inflationary neurosis that had sapped confidence and starved investment.

It has succeeded triumphantly in the former, but failed lamentably on the latter. Why? The strategy's impact was almost instantaneous. Production, already growing, socred. Higher still went consumption, as earnings and the number em-ployed rose sharply alongside.

According to FIESP, the
powerful Sao Paulo industrialists' federation, output in several sectors—mainly con-sumer goods—increased more than 50 per cent, with wages almost keeping pace.

But the sting in the boom's tail was not long in coming. While industry, already close to capacity, began to bump against production cailings, the consumer rampage continued, fuel-king inflationary pressures, and creating price-freeze-busting Worse, the public's endemic lack of confidence in the Government's "zero-inflation" target inspired a run on savings, leaving cash-staved insavings, seaving cash-stayed in-dustrialists to watch as invest-ment resources, visal to lift. capacity, were sphinged in the stampede to the shops.

employment growth that eccom-panied the plan will undoubt-edly play a major part in what promises to be an overwhelming Total deposits in the nation's ment parties and their allies. To follow such a triumph with savings eccounts, down at one point by some 32 per cent, have since been cajoled by Government measures back to their (low) February levels.

where, then, were the weakmesses in the February plan?
And why are such orthodox
adjustments now being widely
advocated?

First, the plan was and is still
regarded as an outstanding
success. Overnight, it de-indexed
an economy riddled with inflation-proofing devices, imposed
blanket wage rises and e rigid

(low) February levels.

In a bid to contain consumer
exuberance, Mr Dilson Funaro,
the Finance Minister, had
launched in July a package—
beavily taxing cars, fuel and
foreign travel—simed at
providing financial fuel for the
Government's ambilious \$25bm
four-year industrial and social
development plan. development plan.

September inflation is measured at just under 9 per cent, but interest rates, sharply up to some 45 per cent, tell e The trade surplus, crucial to

the trade surplus, crucial to servicing the \$107bn foreign debt, crashed last month to \$240m, almost \$400m down on the same period last year despite cheaper oil imports.

The stock market has described a perfect parabola, shooting skywards in the spring shooting skywards in the spring and now around pre-Cruzado levels. New issues have dried up. Reserves are down. And the "black dollar" is showing an 85 per cent premium even after the recent 1.8 per cent mint-devaluation of the new

In e word, confidence, both at home and abroad, has waned. Post-mortems on where the plan slipped heve reached e remarkable degree of concensus. Their conclusions are: Blanket wage rises over-compensated for the loss of regular indexation. When Israel and Argentina tried "shock" treatment, earnings in both countries were squeezed. The plan also promised further rises when prices increased by 20 per cent, another spur to inflationary expectations. Companies at the retail end

of the production chain found of the production chain round prices of raw materials and intermediate goods continuing to go up while their profit margins stayed frozen.

• By attempting to hold out for zero inflation, the Government restricted its own room to manoeuvre, leaving often absurdly low loss generating tariffs for her State comments. absurdly low loss-generating tariffs for key State company

• The July package failed to faults began to feed through.

None of this augurs well for any forthcoming second shock. mists now agree, the Govern-

products from steel to energy.

A school centred on the Central Bank believes that sharp pruning of Government expen-diture should be the principal instrument, with the closure of some State enterprises. Others, at the Planning Ministry, for example, favour using increased taxes as the main route.

Independent economists tend to argue that this is not an "either, or" choice—both must be done. In addition there must be selective price rises.

In total, the impact of re-moving subsidies and distor-tions on 10 key products could be to raise inflation by some 30 per cent—an option that the President appears unlikely to

The effects of such e pro The effects of such e pro-gramme-cutting package would be to put a severe brake on growth, though the various think tanks differ over bow acute. Prof Celso Martone of acute. Prof Celso Martone of the University of Sao Paulo (orientated to Chicago-style economic thinking) claims that confidential Government models envisaging a slowdown to 3 per cent growth are optimistic. "My feeling is that, if they are serious about the adjustments, negative growth is inevitable during e period of six to nine months," be says.

Others take a less catastrophie view, arguing that a tip in the limited supply of funds away from the consumer to-wards the investor would be enough to allow e reasonable performance by industry in

The unanimous cry from industrialists is for the return of some kind of stability and predictability in the medium

Mr Funaro is counting on a satisfactory solution to the debt question as one essential source question as one essential source of budgetary relief. Word from the recent World Bank/IMF annual meeting in Washington, and banking circles visited by the Finance Minister in e series of whistlestop world tours, sug-gests that he may be making some progress towards his declared target of negotiating down Brazil's annual servicing down Brazil's annual servicing payments towards his target ceiling of 2.5 per cent of GDP.
Brazilian xenophobis is per-

haps the biggest single factor inhibiting the inflow of investment from abroad. It will be voiced by a peculiar left-right alliance that President Sarney's Centrist Government will need to combat in the new Consti-tuent Assembly to be elected on November 15. Beyond the short term, Brazil's essential confidence in

itself remains solid and justi-fied. It is blessed with boundless natural resources, a huge market, a thoroughly mixed economy and skilled workforce. Next year, even if growth slackens, there are positive forecasts for a strong recovery in several primary commodities

in several primary commodities
—coffee and soya are two—
recently bit by drought.

Nevertheless, the other side
of Brazil — the impoverished
northess; for example — badly
needs the kind of capitalintensive investment that the

development plan advocates.

But there is e widely shared consensus between academic economists and industry that this can be achieved only by year. Despite, or perhaps because of, the plan's popularity, forthcoming second shock, almost all Brazilian econo-ats now agree, the Govern-tion of wealth it achieved strong

ment, it was a bilateral accord is worrying. If the Japanese have indeed locked into a relatively favourable dollar rate, then the strain of any future dollar weakness could be home by Europe alone. months' experience, as to whether the Government has the resolve to take the difficult steps that are needed now.

In part, this is because of the sheer political potency of the Cruzado Plan, which in hours transformed the Sarney Government from five-stone weaking to popular superman. The

President Sarney: something must be done

President . : Sarney rejected the still higher tax in-creases originally sought by the economie team. Receipts are now believed to be much less

Today, food queues are makment measures back to their ing parts of Brazil resemble a kind of tropical Eastern Europe. Despite much-publicised compulsory appropriations of cattle-involving the Air Force and heavily armed police meat is still scarce. So too are innumerable other products from paper to medi-cines, while poor harvests and export commitments have humilistingly forced Brazil to import

For industry, the picture is bleaker. While profits, through higher volumes, have improved, bottlenecks in the supply of raw materials and machinery are everywhere. The motor business is a

prime example. While con-sumers are paying premiums of new list price for cars six months old, 18,000 uncompleted vehicles are now eitting in the manufacturers' yards for lack of spare parts.

All too suddenly, the disconcentrate on restoring investing market has spilled through into ment and reducing its deficit to market has apilled through into ment and reducing its deficit to adage — "country of the future not more than 2 per cent of a serious drift in the key indian ment and reducing its deficit to adage — "country of the future ... and always will be " — still has a few years to run yet. a serious drift in the key indi-cators. Official March-to-

and a golf cart. A Californian woman went eway with e wind-seck. A purple rack for bicycles fetched C\$125. A CONFLICT The entire crescent-shaped Ontario pavillon is still up for sale — but e provincial lottery is expected to raise most of NTERES the C\$270m yet outstanding.

Try telling him that. He's probably never heard of a pension fund manager, but he knows that someone looks after his monthly contributions. If he had to suffer because his interests hadn't been fully protected he just might find it hard to understand.

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THE INDEPENDENT PENSION FUND MANAGERS 16 SOUTHAMPTON PLACE LONGON WCIA 2AJ

political arrests dropped by over 50 per cent and emigra-tion of Soviet Jews and other religious end ethnic minorities was facilitated, the present decade has again seen a marked deterioration seems inconceivable.

As the architects of the Reykjavik summit, Mr Shultz and Mr Sheverdnadze can be expected to do their nimost in Vienna to find a basis for a resumption of the stalled nuclear erms negotiations in the postware frontlers in the postware frontlers. the post-war frontiers

of Germany—and have always put the emphasis on its security aspects. By contrast, the

Though not concerned directly with nuclear arms control, the importance of the so-called "Helsinki process" lies in the fect that it deals with a wide range of other potential areas of East-West co-operation. These include human rights questions, military confidence-building measures and economic end scientific co-operation. For the West, at least, it is important that eny improvement in East-West relations should take place in a between the two blocks were balanced way and not be restricted to security problems. One of the principal tasks

One of the principal tasks

One of the principal tasks

Those are summents in fundamental arguments in favour of continuing the whole exercise, tedious and unfruitful as it might sometimes oppear. The Helsinki process underlines the US's commitment to Europe. It is the best existing forum for multilateral East-west contacts, which were maintained as a result even in the early 1960s when relations between the two blocks were soured by events in Afghanistan and Poland. Not least, it provides e legal framework for the West'a demands on the human rights front.

Those are sufficient reasons of the Vienna "followup" meeting, the third of its kind since the Helsinki Final Act was signed Il years ago, is to examine the extent to which the signatories bave complied with its provisions. If balance is the criterion, the record is not good to say the least.

While substantial progress mo obvious alternative would hardly be in the West's best interest. "Isn't that Norman Tebbit

Hutton's opening bat

include such commitments as the creation of better condi-Selling US equities to European institutional investors is still too new a business to describe tions for the reunification of families, marriage between citizens of different states and Geoffrey Bunting as its grand old man. But the 41-year-old freer travel and exchange of old man. But the 41-year-old American, who is a commander in the US Navai Reserve, was one of the first such salesmen when be started in London in 1970. Now after 15 years with Merrill Lynch, be and two colleagues, Richard Spring and John Booth, have signed a deal setting no a partnership to do After an improvement in Soviet human rights policies in the 1970s, when the rate of

John Booth, have signed a deal setting up a partnership to do the same job away from Merrill's "Pentagon-like atmosphere," as Spring describes it. Their Hutton International Associates is being backed by E. F. Hutton, another leading US stockbroker, but one which has e poor image outside the US. While Bunting and his friends will take e share in the profits, E. F. Hutton is putting up the basic capital and paying them salaries.

For E. F. Hutton it is a cheap

For E. F. Hutton it is a cheap way into e market which it has no long ignored. None of the partners was hared by the sort

Men and Matters

of "golden hellos" being paid elsewhere in the City. The part-ners will have access to all E. F. Hutton'e research and its dealing capability but bope to re-tain the flexibility of a small team of around a dozen people.

After two years both sides will review the deal, and as Spring points out, the team untrammelled by golden handcuffs, is "highly portable." So far, they reckon, the response from their old clients has been good, even though many of them have never thealt with them have never dealt with E. F. Hutton before.

Name dropping

Hungary has ordered shops and snack bars to drop their English-sounding names and, in the words of one Budapest newspaper, to state their busi-ness "in plain Hungarian." Every other boutique (if

you'll pardon the expression) in Budapest has the word "abop" above it; and snack bars are plastered with "bot dog" and "hamburger" signs though they serve tastler Hungarian ver-sions.

Hungary took ection 15 years ago to control the penchant of Hungarian parents for giving their children foreign names such as Renats, Klandia and Patrik. The Institute of Linguistics

The institute of Linguistics in Bodapest rules on such foreign-sounding names if they are not listed in a volume of approved names compiled in 1971. Agnes Biro, a member of the Institute's staff, says." If there is a Hungarian equivalent, we try to convince the parents to choose it."

Strange names may be Strange names may be fashionable only for a short time, she explains, but the child

will have to bear the name for a lifetime.

Yet the Institute thoroughly epproves of such names as Mandule (meaning almond) and Maina (raspberry).

Expo expense

Canadians are apparently learn-ing to live with the cost of staging international events.
Ten years ago, the Montreal
Olympics finished £1.13bn in
the red and saddled Quebec's
taxpayers, it was said, with
"a permanent debt." That was

"a permanent debt." That was judged a disaster.
Now Canede's latest show-piece, the Expo 86 World Feir in Vancouver, looks as if it will have cost about the same. But nearly everybody agrees it was a buge success.

Expo 86 attracted 22.1m visitors — far more than expected, thanks to Vancouver's brightest summer for years and American tourists fear of terrorism in Europe. Despite that and a C\$2bn contribution from the Canadian and British Columbia governments, the fair was still C\$300m in deficit. But that was a lot less than hed been feared — and at least the people of Vancouver heve

the people of Vancouver heve a rapid transit system and a new convention centre to show for it.

Nor have the Expo organisers yet given up bope of more income. They managed to squeeze e few million extra dollars ont of the public last week at whet they claim was the world's best-attended euction sale — of Expo paraphernalia. More than 20,000 souveoir seekers erowded into a Vancouver stadium to bid for 100,000 items, no looger needed now that the five-and-a-half-month fair is over.

The wife of British Columbie's Premier led the way by buying some plenic tables

Evening shadows If the sun fails to shine today,

tomorrow's newspaper will be free. A foolhardy promise in Fleet Street bingo wars, per-baps, but Florida's Evening haps, but Florida's Evening Independent has had to deliver on its "famous sunshine offer only 294 times in nearly 76 VESIS.

Not since August 31 last year has the sun failed to make at least one daily appearance in St Petersburg, so Major Lew Brown clearly bit on a winner in 1916 when he launched the campaign to promote not only his newspaper but also the "Sunshine City."

The shadows are lengthening, however, and the sunshine offer will be eclipsed altogether this week when the Independent closes, a victim not of clouds on the Florida Gulf coast, but of the falling circulation that has claimed many US evening papers in recent years.

High days

Bill Jordan, president of the Amelgamenta Engineering Union, yesterday coined for e union conference in Liverpool e new term to describe the 1970s days of trade union power—the "days of whine and rises." As he put it: "When the gaffers whined and we got rises."

Measure for measure

Heard in a Berkshire pub:
"Give my wife en inch—and
the whole family is on a diet."

Observer



THE BBC UNDER FIRE

Defusing Mr Tebbit's bomb

By Christopher Dunkley

THE BBC man who stands foday most directly in Norman Tebbit's line of fire is not Alasdair Milne but Alan Pro-

Mr Milne is Director-General and must, therefore, take responsibility for any cans that finally have to he carried. But it is Mr Protheroe, as Assistant Director-General, who is specifically charged "To exercise on behalf of the Director-General that dolly function of Editor in the daily function of Editor-in-Chief and to be responsible for the standards of journalism throughout the BBC."

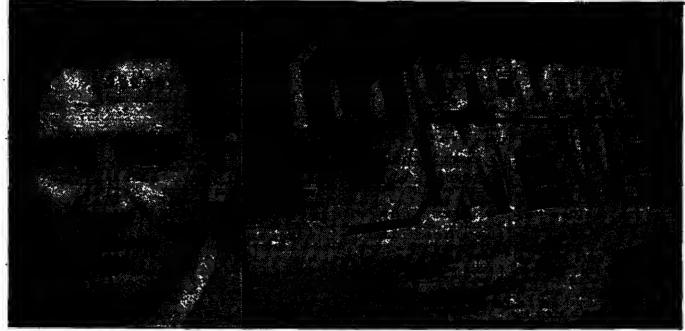
It is a job which the robustly cheerful Protheroe describes as "Officer in charge of bomh disposal and damage limitation on the Titanic."

The military analogy is characteristic. Protheroe did his national service in the Welch Regiment, and is today a Colonel in the Territorial Army. His well-known enthusiam for the forces (he has a Military MBE and is a familiar lecturer at Army staff colleges) is seen on the BBC's lower decks as proof of extreme right-wing

If he is secretly one of the left-wingers that Conservative Central Office seems to believe have taken over the BBC, then his cover is worthy of Le Carré. The son of a Welsh clergyman, Protheroe went to Maesteg Grammar School and then, without the benefit of university, rose from the Glamorgan Gazette to BBC Wales and on up the BBC ladder to become up the BBC ladder to become Editor of News and Current Affairs prior to taking up his present post as "bomb disposal

The latest bomb is, of course, the hefty report from Conserva-tive Central Office about two BBC news programmes, covering the American raid on Libya, and with it the bitter attack by Conservative Party Chairman Norman Tebbit, extrapolating from the Libya example to Revise the BBC ample to accuse the BBC generally of adopting "an increasingly subjective and confrontational style of news

Forewarned that the subject was Libya, the BBC worked out long ago which programmes, would be involved, and began, under Ron Neil, Head of Television News, to prepare their



Alasdair Milne, the BBC Director-General. But it is his assistant Alan Protheroe who is first in the firing line

Judging from Protheroe's remarks to me on Friday evening, the response will be determined and vigorous, though not entirely without acknowledgement of error. Amid the welter of details thrown up in the Tebblt documents, almost the Tebblt documents, almost all of them concerned with editorial shades of grey rather than obvious blacks and whites, are one or two which would worry most experienced journalists. For instance the phrase "... all the indications are that this [the killing of three Britons in Libya] is just the start of a campaign aimed at Britain and British targets" is a claim which eny news editor would want his reporters to autostanwant his reporters to ambstantiste.

teers the view that speculation would be involved, and began, without solid evidence has no under Ron Neil, Head of Teleplace in a BBC news provision News, to prepare their gramme. Indeed he goes response.

Yesterday Milne and Prothe-lation is a damuable thing in

Protheroe agrees, and volun-

roe were considering the BBC's broadcast journalism, and attribute relative which will butlon is very, very very be studied today by Mr Marmaduke Hussey, the new BBC Chairman, and the rest of the board of governors, prior to public release probably to-heated and non-adjectival: 1 morrow or on Wednesday. am for ever banging on to trainess about cutting out the adjectives and not making assertions." Suggest that Norman Tebbit might feel this campaign had not entirely succeeded and Protheroe accepts the criticism: "It's been my greatest failure over the past

five years."

One of the main objections in the Tebbit documents is to the tone of the "Headlines" in

damaging linguistic usages."
On the other hand Protheroe is ready to defend speculation when based on expert know-

getic about the departure from the BBC's wartime news func-tion of purveying lists of facts. the tone of the "Headlines" in BBC news programmes; what he describes as "speculative phrases purporting to be hard fact in the key opening asconds: Britain is paying the price... lived its usefulness, and into the use of expert correspondents before a punishment for the Lahyan attack... long arm of Arab revenga..." and so on. Protheroe's views ou this subject seem startlingly similar to Tebbit's

Protheron is far from apolo-

critical and they must not be assertions: The world is waiting for . . . who sous this? Is the BBC saying it? What is our evidence? How old is the lad who wrote that? What is his background? What is his experience? How does he know? Our weekly News and Current Affairs meeting does use ridictly to expose some of these damaging linguistic usages."

BBC was now under attack? Again Protheroe readily acknowledges that the Corporation makes mistakes: "Our aim must of course be perfection, but to expect it is like expecting a newspaper to appear without a single misprint." He produces a brief analysis of the Corporation's news and current affairs content in 1984-85. 2,818 hours on network televisioo (29 per cent of the output). 7,412 hours ou network radio

22 per cent of the output, 41,272 hours on local radio (33) per cent of the output). 19,051 hours in the English language World Service (50 per

"Those are mind-bending psychological warfare trick of figures," says Protherce. "What ropeating and repeating a thing I find faintly unbelievable is until people start to believe it that some people don't seem this constant repetition of able to see that the BBC's "They're all pinkos at the journalistic output is bigger BBC."

But whatever the effect the national magazines comthe national magazines com-bined." Given the sheet size,

has been advanced by some critics as a reason for breaking up the BBC and forming smaller independent organiza-tions. Some suggest simply splitting radio and television; others would set up each channel—BBC 1, Radio 1 and so on—as a separate unit, claim-ing that this would increase pluralism and avoid the danger of the BBC becoming a hiased monolith. Protheroe's response is the "seamless weh" argu-ment if, for example, you separate local and national radio, then Radio 4 would promptly have to form another structure very much like the present chain of local stations to provide itself with local news and to serve as training areas for tyro journalists. Instead of

has to be considerable, and the

remarkable thing is that there are so very, very few errors."

That enormous size, however,

reducing costs you would in-crease them, he claims, Not only does Protheroe believe that there is no con-sistent political bias in BBC news, he also finds it difficult to accept that anybody els seriously perceives it in that way. So how does he explain the current onslaught? He believes it is partly an old problem: that people interpret a BBC report of an event as being tantamount to approval

As an alternative explanation
Protheroe says, jokingly but
with a weary seriousness behind
the humour: "After 30 years in
the BBC I could write a damn
good book sustaining the thesis
that there are forces at work
in this country devoted to the
destabilisation of the instruments of information."

He is attarby serious how-He is ntterly serious, how-

ever, in suggesting that there is a "smear" element in the current attack: "It's the old

But whatever the effect upon the public, Protheros feels that inside the BBC there Arab revengs ... "and so on, cerned to produce an under-protheroe's views ou this subject seem startlingly similar to ject seem startlingly similar to leave programmes—to give time is why we have extended our "Headline writing is one of to do that."

But was it not in that very a terrible trap, says Protheroe. a terrible trap, says Protheroe. are absolutely are brought together, that the

Lombard

Stirrings in the savings market

By Richard Lambert

had a chance to see an event of social and even political significance over the past few days. The British have been brought up to believe that the subject of money is both boring

and in bad taste. But attitudes may be changing. The Money '86 Show at The Olympia Exhibition Centre was remarkable in two respects.

One was the scale and range customers to execute share of exhibitors—over 250 stands transactions on the spot. There manned by an extraordinarily is no reason why such a system diverse group of financial intermediaries. The second was the financial products such as insurance, thereby bypassing their high sales costs.

What on earth was their motive?

One explanation is that more people are finding themselves with sizeable lump sums to invest than ever before. Housing is becoming an increasingly significant source of finance—the number of owneroccupied dwellings in the UK rose from just over 4m in 1951 to 134m in 1984 while pension

advisers they can trust. Politics have also played a hig part, both in opening up the market and in attracting new customers. Building societies and banks are moving head-to-head into each other's territory. The traditional life companies have lost the unique tax privilege which used to provide such a competitive edge, and the spread of pensions has such a competitive edge, and the spread of pensions has such a competitive edge, and the structure of building societies other ways to sell their services.

The securities markets have further to go and are unlikely to be reversed, which means that

heen thrown open, and the prito be reversed, which means that
vate investor is becoming a much
more interesting proposition for
a hroader range of competing

PASSENGERS on the number Money show was the strong pre-73 bus in West London have sence of British and American stockbroking firms. A few years ago, most of them would simply

Technology is making it pos-sible to deliver sophisticated financial products to small investors at an economic cost. For may be changing.

The Money '86 Show at The colympia Exhibition Centre was remarkable in two respects.

One was the scale and range customers to execute share the colombia and control of artificial an

medianes. The eccond was the number of paying customers anxious to spend time crawling all over the exhibitions.

Lump sums

On Saturday, nearly 6,000 people—mostly rather prosperous looking, but of all different ages—filed through the barries. Total attendance over the four days could have nudged 24,000.

What on earth was their willing to take risks of equity investment have been able to secure very high returns. A typical unit trust has returned roughly twice as much as a building society account over the period. Savers have learnt that inertia can be expensive.

This has had a big impact on the pattern of savings. Two years ago, building societies pulled in six times as much and redundancy payments have also become much more important. For the first time in their lives, many people find a need for financial find a need for financial inflows.

Passing phase

The question is whether this is all just a passing phase. Sooner or later, conditions in the financial markets will change for the worse. Yet the

Changes at the

From Mr H. Mursden ... Sir,-You kindly printed my Mr P. G. B. Wills, chairman of the membership committee has replied (October 30), pre ably with the authority of the Stock Exchange Council.

Exchange

Perhaps I might be permitted space to reply to his very selec-tive reading of my letter. I am certainly-self interested but as my letter made clear only so for as I feel other parties are also self interested.

I also made it clear when I said "one now accepts that the merger with International Securifies Regulatory Organisa-tion is in the national interest and in the interests of the larger Stock Exchange member firms." The health of our whole organisation is indeed necessary for the health of individual members, and our clients and other users of our market. The main point, however, which has been put to members is the vote on whether we should join up with ISRO. On this the Stock Exchange on this the Sinck Exemings authorities have hardly pre-sented their case, let alone any facts as would be required should two quoted companies be putting merger proposals to the quotations department of the Stock Exchange for pre-sentation to shareholders for

I wonder for instance:—who are the members of ISRO; what are they bringing to the merger since their organisation does not obviously have either agents to match ours nor an argumination in place to copper the running of a major market as we do; and what rule book does ISBO have and how will am standards of conduct which have been generally con-sidered by definition of the highest calibre, be affected by

the merger

if we are to put ourselves on an equal risk basis clearly the major question for members is one of unlimited liability. Could not the council give us the arithmetic of the possibility of feeding our service sections into limited liability companies? Members might actually prefer to have the choice put to them. Should not the council put to us the comparative methods used for instance in New York and Tokyo who will be our main competitors and indeed tell us the cost we might incur to join those markets?

inose markets?

If Wills in his second paragraph states that "Members will in the near future be a minority group." He is assuming that the vote will so through but in the meantime I feel he should give us due feel he should give us due

The present position which I have checked with the Stock is that this liability was trans-ferred to the partnerships not to individual members in 1976

Letters to the Editor

to support the fund sufficiently the liability would rest with the members in the final analysis.

Our main liabilities at present however, are the systems put in place at great cost by the council in the past two years. This is real and improved the great and in the great and great an mediate and the council may yet have to justify the whole Mr Wills clearly states that

us but it is necessary for us as members to know the end product on which we are voting as to whether it is in the interests of our clients and ourselves. Any mention of payment to members is illusory as a figure has been mentioned which will be vastly reduced by time and inflation to members even in inflation to members even in the middle of their career. The size of it in any case is not relevant compared to our turnover and our profits, but that is no reason to make it meaningless. We have a valuable asset not only in our organisation which is in place and working, but in our systems which could not be easily duplicated and indeed in our huildcated and indeed in our huilding which is in the most presti-gons position and in the greatest of demand at present. Even if we were not to require all the space the LIFFE market and the traded options markets may well require this and should surely pay the full market price for a unique area and back-up facilities. Hugh J. L. Marsden. 29 Abbotsbury Road, W14.

Settlement by the BBC From Mr M. Varcoe-Cocks.

Sir,-In their letter (October 29) MPs Mr Hamilton and Mr Howarth profess to be amazed by Malcolm Ruther ford's assertion (October 24) that Mr Milne decided last summer to settle out of court," whereas what Mr Rutherford actually wrote was that Mr Milne changed his mind in the summer about the BBC's chances of putting up a good fight in the Panorama libel case and "that there must be an out-of-court settlement," a subtle but important difference: obviously Mr Milno decided that the BBC should start negotiations to settle on reasonable

What is more important is the fact that Mr Hamilton and

or so. Clearly, if the firms fail that they wanted their claims to support the fund sufficiently settled simultaneously whereas the liability would rest with the BBC wanted to keep the claims separate. The MPs ask why the BBC

would not subpoens the key witnesses who seemed to be no longer willing to appear, im-plying that subpoenas would re-solve the problem of reluctant witnesses. What Mr Hamilton and Mr Howarth did not menand air howard their legal advisers would have so in-formed them—is that sub-poenas would not have compelled any of these witnesses who were MPs as they cannot be compelled to give evidence during Parliamentary sessions the current session started while the trial was in progress. Michael D. Varcoe-Cocks.

Plessey and **GEC**

Sir, — We are responding to the Justinian piece (October 27) in order to correct some significant inaccuracies and to contradict its thesis that Ples-sey filed suit against GEC in Delaware for violation of the US securities laws merely as a delaying tactic in response to the recent bid. Plessey had at the time 1.2m ADRs, beld by about 3,000 persons, listed and traded on the New York Stock exchange and subject to the US securities laws, regardless of the exclusionary terms of the GEC offer. Each ADR holder could as a legal matter convert his ADRs to ordinary shares and tender the latter in response to the GEC bid (in which case they could only receive the cash consideration provided for in the offer docu-ment) but none of them had received from GEC the tender information required by the US ecurities laws.

Plessey filed suit seeking only mandatory injunctive relief to force GRC to provide this information; no attempt was made to enjoin the offer, and providing the rather straightforward information required would not have been burdensome or time consuming. In determining to so limit the relief sought, Plessey had due regard, as it was bound to do, to the interests of its share-holders generally and the pro-visions of the City's code on takeovers and mergers precluding actions taken to frustrate e bonafide offer. The court ruled 62 Gibson Square, N1

against Plessey's motion for pre-liminary injunctive relief but no adverse final judgment was ever rendered. Plessey volun-tarily and without prejudice withdrew its action as moot once there was an MMC rethe right to refile had GEC been able to renew its tender. The MMC's decision provided the final denouement of this "quintessentially British" matter. Warren J. Sinsheimer.

Millbank Tower, SW1.

Inflationary spiral

From Mr S. Mobbs Sir,—John Muellbauer argues convincingly (October 23) that the housing market is a key link in the UK's domestic inflationary spiral. However, his assertion that the main culprit is tax relief on mortgage interest payments is questionable. Tax relief increases the level of bouse prices above what it otherwise would have has any impact on the rate of change of house prices, i.e. house price inflation.

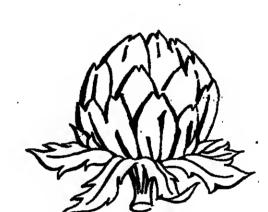
Neither is it clear that mortgage interest relief increases
the regional discrepancy in
bouse prices — expressed in
proportional terms. Indeed
relief is likely to have a greater relier is thely to have a greater impact in low house price areas where a greater proportion of mortgages are below the £30,000 threshold. It is eveo less clear that interest relief has been responsible for the increase in regional discrepancies in recent

Muell ratter policy action aimed at depress ing the level of house prices. But for from alding labour mobility as he claims, this would be likely to hinder labour mobility by locking heavily borrowed individuals into their current properties.

Muelibauer is right that the
Retail Price Index does not reflect the sharply increased cost of living for those buying or about to buy a house. He might have added that the cost of living has also increased for existing homeowners.

This is because a cost of living index should reflect the cost of buying a certain standard of living, an element of which is the cost of housing. At the same time house owners should record any capital gains on the capital side of their balance sheets. This is the approach taken in the US CPI where the bousing cost for houseowners is calculated as an imputed rent.

This is not the case in the UK RPI, which therefore understates the true rate of inflation when, as at the moment, house prices are rising rapidly. This raises interesting macroeconomic questions such as how far has the UK inflation rate really fallen in recent years? S. N. Mobbs.



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FINANCIALTIMES

Monday November 3 1986



Roderick Oram on Wall Street

the tune of tax reform

THE SHEPHERDS' Song after the Storm, the final theme from Bee-thoven's Pastoral Symphony. tax reform if the lines are busy when they call Merrill Lynch, the world's largest retail stock broker.

The melodious message, conjuring up a bucolic idyll after the tempestuous previous movement, calms callers on the special tax ad-vice numbers until a Merrill representative is free to take their name

Demand is so brisk for Merrill's guide to the tax and investment implications of the reforms, which come into effect in a matter of weeks, that callers may get the mu-sical interlude even if they ring late

at night.
"We had 2,000 calls in the first two hours the lines were open," said Ms Mary Rudie, Merrill's director of consumer marketing services.
"We're expecting requests for 80,000 booklets," two-thirds from people new to the firm.

The most radical reform of the US tax system in 40 years has prompted a huge surge in advisory services from brokers, financial planners, accountants, lawyers and anyone else who has an idea or

shelters, deductions and loopholes in exchange for substantially lower tax rates, the reform is forcing a fundamental shift in personal fi-nancial strategy, Tax "efficiency" will come from investing to gen-erate income rather than from taking on debt and sheltering earnings from the internal tax service.

New products abound with firms offering, for example, mutual funds of stocks in industries likely to benefit from tax changes or high yield-

Tax payers are eagerly seeking advice on how to reorient their investments and minimise the pain of 1987, the transition year when deductions will be hustled out more quickly than lower tax rates ush-

High earners have the biggest problem. So efficient are legitimate tex minimisation ploys under the present system that people earning more than \$200,000 a year pay on form, the highest tax rate will be "only" 28 per cent with minimal scope at the moment to shave it.

Wall Street investment advisers are blanketing print and electronic media with advertisements. All offer toll-free phone numbers, some open round the clock, so eager tax payers can sign up for information

packages.

Merrill Lynch has opened up its own direct broadcast by satellite system, normally used for internal communications, to address the public. The firm is inviting investors into its 370 offices around the country for weekly television programmes live from Liberty Plaza, its Wall Street headquarters.

A retired industrialist in San Die-

go, for example, can put his ques-tions directly to Manifest ons directly to Merrill'a experts in New York. But its not all business The programmes are leavened with entertainment such as Alan Alda talking about the making of Mash, the immensely popular TV commedy series. Account executives are finding the show business/stock selection cocktail a great ice breaker with new clients.

"We're helping clients understand they have a once in a lifetime op-portunity," Ms Rudie said.

Wall Street players are jostling on a crowded field. The International Association for Financial Planning, based in Atlanta, has doubled its membership to 25,000 since 1983. The Institute of Certified Financial Planners in Denver has 18,000 members, a 15-fold increase since

Their market is an estimated 35m American households that need the help of financial advisers, according to a study by a subsidiary of Ameri-

Prime targets are those "high net worth individuals" too busy making their money to find time to manage it. Consequently, free financial planning from outside consultants is an increasingly popular executive perk, according to Mr Art Karine of brokers E. F. Hutton. Experts at his firm, which offers services costing from \$175 to \$12,000 a year, have played to crowded tax reform semi-

nars in recent weeks.

To those tax payers feeling all at sea over reform, Cunard is offering "nowhere cruises" out into the Atlantic — two days from New York and back and three days from Fort Landerdale, Florida.

Shoe-horned into the shipboard schedules of bridge coaching, sports competitions, floor shows and cocktail parties are seminars on the im-whot of tax reform. Despite their is by educational value, a Cunard not Whiman doubted that these offhas beconsultations would be tax

Compaq plans Singapore Dancing to plant to beat trade pact

COMPAQ COMPUTER, the second-

largest US manufacturer of person-al computers, is building a plant in Singapore to circumvent the US-Ja-

The pact, signed in July, set up a price monitoring system designed to stop Japanese manufacturers It has been heavily criticised by

teading chip-buyers in the US elec-tronics and computer industries. Some have said that they were looking at the possibility of offshore production to avoid the pact's ef-

However, Compaq is thought to be the first leading US chip-buyer which has cited the pact when an-

Compaq's Singapore factory, its first outside the US, will assemble omponents made in Japan and othprimed circuit boards. It will em-ploy about 200 people. Compaq has stressed that it will not lead to any lay-offs among its US workforce.

Compaq had been considering locating in Singapore for some time. Mr Rod Canion, Compaq president, said that Singapore offers lower tax rates, as well as lower costs and quicker deliveries of materials.

However, Mr Michael Swavely, Compaq vice president for market-ing, speaking in London, said that the trade pact with Japan had both clinched the decision and speeded it

By assembling printed circuit boards in Singapore, Compaq would be able to get round the terms of the pact, Mr Swavely said. Compag's decision: was designed to overcome some of the problems which our Government has caused

He added that the pact contained nonsensical types of regulations that will drive US companies to foreign countries in order to get round

Compaq was particularly anxious to avoid the impact of the pact on chips going into its recently launched personal computer using the new 385 microprocessor, which is more powerful than the micropro cessor used in existing persons computers, Mr Swavely said.

Louise Kehoe in San Francisc adds: Under the terms of the agree ment, the Japanese Government has agreed to monitor the export prices of Japanese chips workiwide.
US chip-makers have alleged that Japanese chip manufacturers are flouting the agreement by dumping memory chips into other countries.

Talks are due to start between US and Japanese officials this week in an attempt to resolve this prob-

Ferruzzi close to agreement for 70% stake in British Sugar

BY MIKE SMITH IN LONDON

FERRUZZI, the Italian agribusi-ness conglomerate, said yesterday and Mergers Commission is consid-it was close to an agreement which ering the merits of both companies would give it a 70 per cent stake in British Sugar Corporation for about £400m (\$580m).

tion's owner, S & W Berisford, the commodity trading and processing group, would be subject to approva

of Ferruzzi, said final details were still to be worked out, but he expect-

ed agreement in seven to 10 days. Ferruzzi has been betiling for control of British Sugar with Tate & Lyle, the UK sugar refiner, for

acquiring control of Beristord al-though neither company has made a formal offer. Ferruzzi has built up a 23.7 per cent stake in Berisford, and Tate & Lyle has 9 per cent. Sir Richard said that the MMC has been kept informed of Ferruzzi's negotiations with Berisford for a stake in British Sugar, Mr Paul Channon, Trade Secretary, has asked for the MMC to report to him by November 18. Yesterday it was unclear if the Berisford-Ferruzzi

agreement would mean a delay. For Berisford the attractions of selling such a large share in British Sugar are that it would be able to

keep the rest of the group intact. Ferruzzi, Italy's third-largest company, is already Europe's largest sugar producer. It largely con-trols the Italian sugar industry and is a dominant force in the French

Berisford bought British Sugar in 1982. Since then the group's for-tunes have declined, and it has Pre-tax profits in the year to Sep-tember 1985 were £53m, against £30m a year earlier.

Tate & Lyle would have a virtual monopoly of UK sugar production if it won control of British Sugar,

First confident of winning Alia. battle, Page 24

French judicial body opposes. reform of nationality code

BY PAUL BETTS IN PARIS

the key judicial bodies, has struck living with a French wife or hus-another blow against the conserva-band for six months. tive Government's efforts to tighten immigration and nationality procedures in France.

The judicial body has ruled against two key aspects of the Government's proposed reform of the French nationality code. The Government had sought to change the current system whereby anyone born in France with foreign parents automatically had the right to French nationality from the age

Instead, anyone born in France from foreign parents would have to request French nationality and take an oath in front of the French judicial authorities before being granted citizenship. It would no longer be an automatic formality.

change naturalisation procedures refugees in France after the Council making it no longer possible for a of State ruled against this reform.

of foreigner to gain citizenship after However, the Government is a But the Council of State ruled

against the changes claiming that

they were contrary to France's re-

publican tradition. The judicial body's rulings, although not binding for the Government, none the less pose an embarrassing dilemma for the Chirac administration. The Government was due to approve its bill to reform the nationality code at a Cabinet meet-ing on Wednesday.

While the Government could still decide to go ahead with its proposals, French administrations have traditionally amended or shelved bills to comply with the recommen-dations of the Council of State. Indeed, earlier this year the Govern-ment decided to put off for the time being at least legislation to tighten the laws on political asybum and

formed part of its election manifesto for the legislative polls last

The Government's immigration policies have been at the centre of growing political controversy although they also enjoy broad popular support, especially after the re-cent wave of terrorist bombings. Indeed, the extreme left Action

Directe group claimed responsibili-ty for the bombings in Paris late on friday night of government immigration offices and the offices of a charter aircraft company to protest against the expulsion by the French authorities of 101 nationals from Mali last month without proper immigration papers.

In recent weeks, the Government has cracked down on illegal immi-grants and has expelled since September more than 1,700 illegal immigrants from France, the security

Japan welcomes exchange rate pact

had little political impact not least because it is widely dismissed as irrelevant so far as the polls are con-

Continued from Page 1

It is hard to imagine the American voter being influenced by so es-oteric an event as an economic poli-

For Mr Baker the political significance of the agreement may lie more in the impression it creates that the process of international economic policy co-operation con-tinues, even if this time the cooper-

World Weather

ation is with only one of America's industrial partners.

Economic policy cooperation has been one of the cornerstones of Mr Baker's efforts to fend off protectionist legislation in Congress, a battle which Mr Baker will have to

Mr Baker is preparing to use the President's State of the Union address in January or early February to strengthen the Administration's defences against critics of its trade

fight again when Congress recon-

Accord with Japan, however, is being seen as putting additional

pressure on West Germany also to take steps to stimulate its economy even though the German economy appears to be performing better than Japan's it remains to be seen whether the US begins again to urge Bonn to take steps to boost its

The fact that Japan has cut its discount rate and moved to imple-ment measures to boost its growth is a clear plus for Mr Bake. The threat of renewed dollar weakness against the yen, however, would tend to reduce the prospect

of faster growth in a Japanese econ-omy heavily dependent on exports

Senate race in balance

Continued from Page 1 sible Republican gains are in Colorado, Missouri, Louisiana and California. In Louisiana, the Republicans have been caught up in a row about alleged efforts to keep the black vote down through ballot se-curity. In California, where both candidates have spent \$10m each, largely on negative TV advertising, the race is vying for the title of the dirtiest battle of the whole cam-

paign.

Money, mud-slinging, and a lack themes have characterised the 1986 campaign. In many cases, the candidates latest TV ads have aroused more attention than any discussion of broader subjects such as national

EEC trade INTERNATIONAL trade minister day on a range of key moves re-quired to scrap national barriers to tween the 12 member states. If they can reach agreement, it will help revive the flagging momentum of their effort to create

Agreement

near on

moves

to free

single frontier-free market by 1992, which is already well behind sched-

The most important item likely to be settled is a deal on common stan-dards for direct television broadcasting by satellite (DBS), by adopting the so-called Mac-packet family of standards. Agreement would pre vent the next generation of television broadcasting in Europe from being bedevilled by the same frag-mentation caused by the rival Pal and Secam systems for colour TV. Agreement is also in sight becommon forms of contract for commercial agents and manufacturer throughout the Community and a single system to streamline the esting of pharmaceutical products.

They are also expected to give their blessing to a symbolic gesture towards the ultimate goal of a frontier-free Community - replacing all the customs signs at borders with a circle of European stars and the name of the member state ahead. Progress on all these fronts would at least reduce the backing in

the rolling programme of decisions to which the current British presidency of the EEC, the previous Dutch presidency, and the forth-coming Belgian presidency have committed themselves. British officials are increasingly

anxious to get away from the "num bers game into which the rolling programme appears to have locked them. According to that scale, out of 95 measures requiring action this year, only 21 were agreed in the first six months, and 11 have gone through since Britain took over in

now totals 149 decisions by the end of next June - but that it does not necessarily require final agree-ment, simply that measures should be on the ministers' table for deci-

There are also a number of subjects where the European Commission has yet to submit its proposals more than 10 of the 95 - and others where the European Parliamer has failed to deliver its legally required opinion.

The agenda of the Internal Mar-ket Ministers' Council today underlines the complexity of the bargain ing process still required to ease the flow of internal trade between the 12 member states.

Agreement on the Mac-packet family of standards for DBS should be straightforward, although the range of standards has been set wider than would have been ideal in order to accommodate French Spain still has objections on the

pharmaceutical product registration procedure, although no one can quite understand what the problem is. The idea is that pharmaceutical companies should not have to repeat all the same tests required of an original product when they seek to market their own version - pro-vided they comply with all patent

The UK has been the country holding up agreement on commer-cial agents' contracts, but the Brit ish objections should be met by allowing a four-year transitional peri-od in introducing the new rules. The problems are more difficult

for other items on the agenda, such as agreement on what constitutes "good laboratory practice" for certifying tests from different membe states; the safety design required for front roll-over bars on tractors and a deal on a common EEC trade

The ministers should be able to cheer themselves up with an agree ment on the new frontier signs - although that will perhaps be little consolation to the British.

Release of hostage raises hope

Apart from the five foreigners known to be held by Islamic Jihad, the remainder are in the custody of other militant groups about which

Continued from Page 1

other miners and little is known.

Twenty-four US embassy staff and dependants have been with drawn from East Beirut in the past withdrew three diplomats before breaking off diplomatic relations of alleged Syrian involvement in plot to blow up an Israeli airliner.

THE LEX COLUMN

Storm in a beer glass

axim that if it looks after the pennies, the pounds will look after themselves. In deciding to split the Courage pension fund, it appears to tion to detail even in such places as free trade for goods and services be- the small print of the 1986 Finance Act or the somewhat ironical judgment in favour of Imperial Group over the pension assets of Imperial Foods. Inevitably, Hanson is very well up with modern US practice. For those without direct experi-

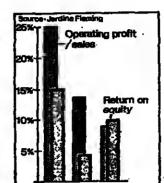
ence of IIS management attitudes the dernier mot on the subject as on many others - is a study pre-sented to budding actuaries last year by S.M. Southall and J.D. Punof US managements to divert mon-ey from their pension schemes to their businesses (or shareholders) is the so-called spin-off/termination. The existing scheme is split into two, one covering past leavers tween the 12 member states on and current pensioners and holding most of the surplus assets, and one providing for current employees. The active members' scheme is maintained, at a lower funding level, but the pensioners' and deferred pensioners' fund is wound up and

> Hanson said last week that it would not voluntarily take funds from the Courage pension fund; but this is where the stuff in the last budget comes in. The Act says that in any pension scheme that is overfunded by 5 per cent, the employer should use the surplus first to improve benefits, then as a substitut for contributions and, only if these two still leave an excess, pocket the

the surplus freed. Sounds familiar?

kept, option two is obviously a nonstarter because there are no contributions; while option one could scarcely go beyond inflation-proof-ing the benefits, possibly through redeployment in index-linked gilts. A surplus will still be there. The in-

pluses belong. But the judge in the ondary market price. market weighting in a stick emi-imperial Foods case ruled firmly NIT could be a case study in how neatly undeserving of portfolio that they belonged to Imps, the old not to attract investors. First, the space.



new owner. After all, Imps had been making the excessive contributions and, if the scheme had been in deficit, Imps would have had to butable to active employees who might welcome some inflation-proofing when they hang up their beer-barrels.

come. It is more welcome than sugnever be permitted to recover a surplus. If companies know that they will never have access to contributions that subsequent events have made excessive, they will be that

be able to afford even one share in Nippon Telegraph and Telephone when it comes to the Tokyo market Y1,197,000 a share. If the Japane cy, NTT shares might look cheaper. But even that would not shift the land Revenue would probably But even that would not shift the oblige Hanson to wind up this decimal point in NTT's 100 plus scandalous tax-free reserve, tax the price earnings multiple by one windfall at 40 per cent and still place to the left and so make the leave the company with a tidy sum, shares attractive in Western mar-which could be the better part of kets. Perhaps foreigners are lucky 50m. not to be allowed to apply for this The actuarial profession has first tranche, for it might seem rude never been able to make up its to refuse the offer, Later tranches rolled to whom pension fund sur- will at least be influenced by a sec-

produce a yield of 0.4 per cent. For a utility stock - a class of share at best traded for income in most stock markets - this rating is as-

Then as an operator NTT makes

Aust

British Telecom look positively ex-citing. Its monopoly position, which anyway has not been used to best advantage, is now being broken into by not one but four Class I rivals, permitted to lay down their own networks headed by the delightful-ly named Daini-Denden. Very many nore will offer services over leased lines. Like BT's competitor Mercufix on the highly profitable parts of the business such as the Tokyo-Osaka traffic, and undercut the high prices charged for longer-distance calls in Japan. NTT must conral services, and even the telegram business which BT was allowed to are, NTT is still heavily dependent on slow-growing telephone reve-mes and has yet to build faster-growing businesses aside from telehone cards which have become

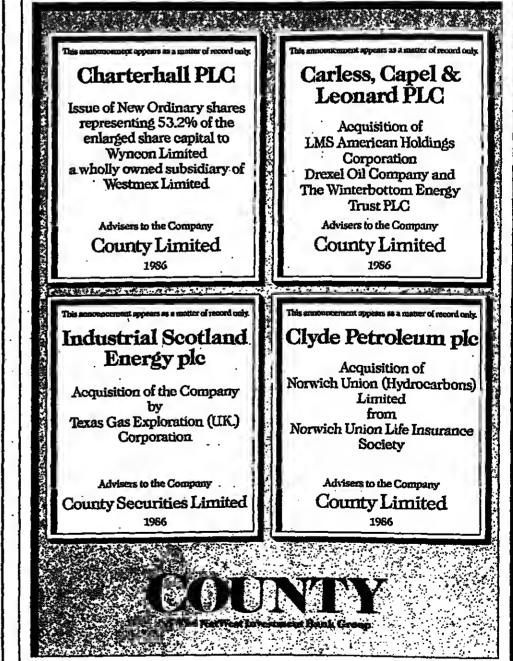
As for tariffs, BT's restriction to increases averaging 3 percentage points below the RPI must seem like unparalleled freedom to NTT. proved a 43 per cent increase in lo-NTT made in 1975. There has been no increase in local call rates since, but a determined reduction in longdistance call charges is likely to

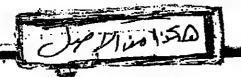
like certain rare postage stamps,

While profits are forecast to rise by only 6 or 7 per cent a year, NIT is now starting to spend heavily an digitalisation of the network, a project which will be completed in the mid-1990s. The hope is that it will be able to sell the technology abroad, and China is an obvious market. There are other benefits of privatisation, such as the ability to but all space cash on interest pay ing deposit, and NTT has plenty of cost-cutting to do. But apart from count-rate cut, the only reason for

Ser.

Credit









SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday November 3 1986



IRONICALLY IN Big Bang week in the London market the Eurobond market was casting nostalgic glances at the methods of operating in a bygone, more leisurely financial world, writes Clare Pearson in

A new \$600m floating rate note issue for Australia, priced to yield London interbank bid rate (Libid) flat, was priced and syndicated during a period of about three days in a the balance of the new looked eithmanner that harked back to a long- er like an overdone attack of nerves forgotten way of putting together deals in the Eurobond market.

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went like this. First a group of six co-managers discussed the coupon co-managers discussed the coupon ous notice appeared on Renters level and issue price and made exploratory telephone calls to clients a floating rate note with a group of to elicit interest. On Thursday banks. This, according to CSFB, morning the fees were fixed and a separate selling group formed and the distribution of the paper began.

We wanted to sidestep the disruption of distribution systems that grace in which to sell their commitcharacterises the London market lately," said Mr Hans Joerg Rudloff, allocated only up to \$5m each, could a director of CSFB.

Investors have been hanging back from buying Eurobonds recently and the argument runs that they are dismayed by chaotic condi-

competitive market overreaching it-

Spain's state Instituto de Credito

Oficial caught the limelight last

week with a \$50m credit priced at a

margin of 15 basis points over the

London interbank bid rate (Libid).

blicised Eurocredit to drop the tra-

ditional London interbank borrow-

ing rate (Libor) benchmark in fa-

This is believed to be the first pu-

tions in the primary market, where

Australia: "We wanted to bring primary distribution back to the final

But to some other market participants CSFB's bid to bring the old world back into existence to redress.

On Thursday morning a mysteri-

The critics pointed out that it also gave the lead-managers a few hours ments before the co-managers, who

The loan, which matures in June

lighted to discover that the fees totalled 60 basis points, a far more generous level than that achieved by comparable borrowers who have stable yen/dollar exchange rate cently issued FRNs.

Demand for bonds priced with coupons around Libid is thin but definitely there for the right name. dealers say. This was Australia's the highest gains on Thursday as first venture into the floating rate note market and it was a sizable, liquid offering

opening on Thursday as expecta-tions of a Japanese discount rate cut spread through the market. As a result Australia's bond traded consistently within its fees, a rare achievement for a sub-Libor

The second factor was a marked

priced FRN. But trading was "easy come, easy go." Co-managers were thankful to take a quick profit and it was noticable that no one was trying to push the price up in order to close the limit during which suc gap between the yield on Australia's bond and that of recent FRNs be left unformalised.

for other sovereign borrowers.

attractive to the cautious investor.

The % point cut in Japan's discount rate and hopes of a more low co-managers to calculate more proved a tonic to the market towards the end of last week. The news was particularly welcome in the D-Mark market which recorded retail investors began to put in an only, firm allotments should be appearance for the first time for made before the and of the third

 A number of recommendations improvement in the market at relating to Eurobond and equity syndication were approved by the International Primary Market Association (IPMA), the self-regulatory organisation for the Eurobond primary market, at meetings last

> These include an obligation on lead managers to be more precise when indicating the likely amount of an issue co-managers will be exlimit during which such indications, normally expressed as a range, may

e left unformalised. been tightened so that co-managers From now on, when a lead-man-can be sure of getting a specified Most new dollar fixed rate deals ager indicates a range of underwrit- minimum amount of paper, amoun-

many recent deals have been sold short in size as soon as they have short in size as soon as they have erously priced. The market was designed in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve, amount of potential commitment in the short end of the yield curve. should not be less than 75 per cent. This prevents the lead manager of the higher amount. This will al- squeez ing them by witholding allocations of paper they have sold durexactly the size of their expected

IPMA has also tackled the thorny In pre-priced offerings of debt. question of late payment of fees. Underwriting fees must be settled equity (excluding initial public of-ferings) and equity related instru-ments syndicated among managers within 90 days of closing an issue and management fees within 30 day after the first invitations. rities not allocated at that time EUROMARKET TURNOVER

should be retained by lead managers for their own accounts. There has been concern that current market practice often allows the lead-manager too such leeway during syndication. These recommendations should shift the balance back towards the co-managers a bit." said one IPMA member.

IPMA has no power to impose its recommendations, although deviations must be announced at the time of issue invitations. Early protection provisions have

170.9 1,343.8 3.6 445.0 9.8 -9.0 2.8 dary Market 20,037.6 1,195.2 16,617.2 5,276.2 18,647.5 1,296.1 9,011.4 4,272.7 16,381.7 140.3 2,080.2 5,547.7 12,025.4 143.2 3,676.3 5,694.1

14,791.9 40,504.6 12,118.1 26,857.1 13,795.1 13,678.1 11,381.2 11,648.8

55,296.5 38,975.2 26,473.2 23,030.0

Week to October 30 1986

planned \$300m loan facility for

geria will have to pay a margin of at

least % per cent for its forthcoming

\$300m credit. Guinness Mahon an-

nounced on Friday that its £100m

Veba in talks over big stake in Hapag

BY PETER BRUCE IN BONN

VEBA, the diversified West German energy group, is negotiating to buy a sizable stake in Hapag-Lloyd, the country's leading but troubled ship-

Mr Eckart van Hooven, deputy chairman of Hapag-Lloyd's supervi-shortage of interest from potential sory board and a director of the foreign buyers but the banks and Deutsche Bank, said yesterday Vebe was likely to take a stake of less Hapag-Lloyd in German hands than 25 per cent, which would mean Lifthansa has also been mentioned avoiding any problems with Ger- as a potential shareholder. many'a strict cartel laws. Veba al-

ready owns a big transport and trading subsidiary, Stinnes.

Hapag-Lloyd, which was saved from collapse in 1983 by a DM 300 m

Heading subsidiary, Stinnes.

Hapag-Lloyd, which was saved from collapse in 1983 by a DM 300 m

Heading subsidiary, Stinnes.

Hapag-Lloyd, which was saved from collapse in 1983 by a DM 300 m

Heading subsidiary, Stinnes.

Hapag-Lloyd, which was saved from collapse in 1983 by a DM 300 m

Heading subsidiary, Stinnes.

(\$150m) cash injection, is 80 per cent owned by the Deutsche and Dresdner Banks which have made little secret recently of their desire to cut their holding in it. There has reportedly been no

Veba, West Germany's third big-

Texas Air to reduce People Express offer

BY TERRY DODSWORTH IN NEW YORK

Negotiations to trim the price for nal C at Newark international air-People, once one of the most suc-cessful low-cost airlines spawned

The renegotiations with People by the deregulation era, have now coincided with the conclusion of a begun, Texas said in a short state- separate deal with Frontier Airment. It gave no indication of the lines, the unit of People Express new price it was aiming for but said which filed for bankruptcy protecthat its move had been caused by tion in August, and which is now be-the worsened financial results of ing acquired by Texas Air for People Express.

The talks will also involve seek-

TEXAS AIR, the Houston group ders of People Express' \$150m which is in the process of building Swiss franc convertible debt issue one of the largest airline businesses in the US, said that it wanted to reduce its \$200m agreed offer for Peo- tion, Texas Air is seeking changes to People Express' lease on Termi-

ing financial concessions from holresults, Page 37

IBM plans Europe centralisation IBM, the US computer group, is Europe. The plans follow a decision planning to convert its Amsterdam last year by American Telephone factory into the main distribution and Telegraph to establish a Eurocentre for all of Europe as part of a pean distribution centre in Rotterconsolidation programme, writes dam and by Nissan of Japan to do

the same in Amsterdam. IBM's Amsterdam factory makes

Australia issue glances back to before Big Bang

Mr Rudloff said of the issue for

orgotten way of putting together or a move to keep most of a gen-leals in the Eurobond market. erously priced issue in the hands of Credit Soisse First Boston said it a few houses.

was intended to leave the potential short-sellers in the dark.

LOOKED at one way it could signal deal, said at the weekend that the.

other it may be another case of a could not be repeated elsewhere.

self, writes Peter Montagnon in 1995, is a renegotiation of a previ-

Small Spanish Eurocredit causes flurry over loan pricing ceipt certificates. These boost its effective yield by offering lenders the for profit as large banks now fund themselves well below Libor. Libid and would probably have to First Boston, this carries a facility fee of less than 5 basis fee of 5 basis points and a margin of themselves well below Libor. the end of an era. Looked at an- pricing was a special case that chance of a tax credit in their home

Other bankers are not so sure. ous facility which currently carries Their worry is twofold. First, they Either way Citicorp of the US and a margin of % per cent and which say that such aggressive pricing is started out at \$180m. bound to encourage other borrow-ers to try and ratchet down the Like other Spanish state sector borrowers ICO has been steadily reterms on their deals at a time when paying its foreign debt this year. A margins have already hit barely further \$65m of this loan is being profitable levels. A case in point is repaid as part of the transaction, Belgium which is seeking bids for a leaving only a balance of \$50m to be \$200m credit. Second, despite the evident attraction of Spanish risk, The result is not only that Spanthere is some doubt about the apvour of the lower Libid rate, ish state risk has become a rare

peal of such finely priced paper. Though it is a small transaction it commodity in the Eurocredit marhas immediately become the focus ket but also that Citicorp is left with Assuming a standard 12% basis of discussion because of its poten- a small transaction on its hands point differential between Libid tial implications for the pricing of which it believes should be marketand Libor the margin on ICO's deal loans generally.

able even at this very fine price, es-citicorp, which is arranging the pecially since ICO is offering tax reable even at this very fine price, esworks out at 2% points above the traditional Libor. That leaves room

But what if the differential between the two rates were to widen as a result of an international banking crisis? That could not be excluded during the 8½ year life of the loan and it might leave lenders high and dry. Similarly there is always a possibility that Spanish tax laws might change to the detriment of banks seeking to bump up their yield from tax receipts.

Much therefore depends on the participations in the secondary market. Shocking as the terms may seem in conventional Eurocredit terms, they do not yet compete with the cost ICO would have to pay in utility lberduero has met a positive the Eurocommercial paper market, where it could sell paper well below

pay a facility fee of less than 5 basis fee of 5 basis points and a margin of points for back-up credit. Combine
this with the apparent limitiess demand among banks for top quality
assets, however low the yield, and

All eyes in Spain are now on a to 5 points depending on how much is taken. this deal could stand a chance of Renfe, the state railways. Elsewhere it now seems likely that Al-

Yet experience with private sector Spanish renegotiations has been mixed of late. Many lenders dropped out of the recent \$318m deal for Autopistas del Mare Nostrum, which carried a % per cent margin for eight years, with the reability of lenders to sell out their sult that lead manager Chase Manhattan had to find new participations worth about \$100m in the market. By contrast a new \$200m deal launched last week for the electric reception. Led by Banco Central, Chase Manhattan and Credit Suisse

facility for Hammerson, the UK property company, has been doubled to £200m. Societé Generale of France has launched a \$500m Eurocommercial paper programme which also provides for the issue of medium-term notes. Dealers are Laura Raun in Amsterdam. Citicorp, Morgan Stanley, Societé

Amsterdam was chosen because of its efficient infrastructure and mostly typewriters as well as print-Générale itself and Swiss Bank

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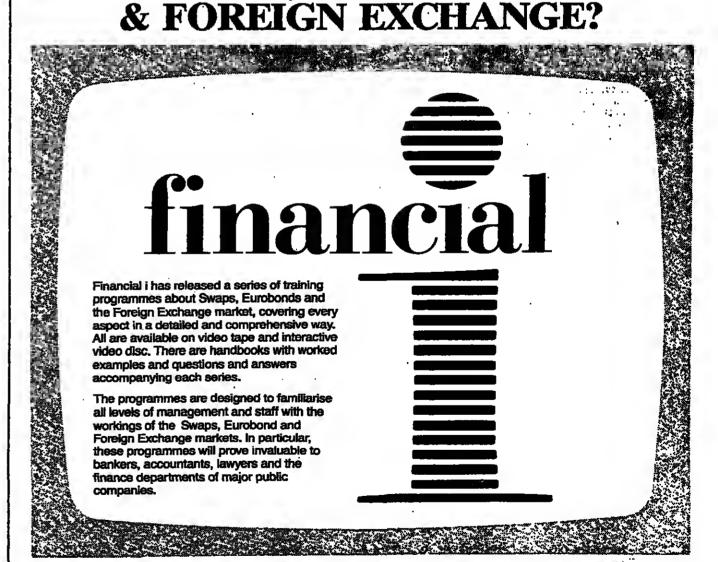
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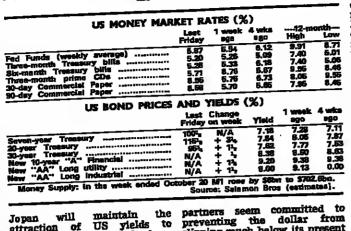
Treasury Yields

US MONEY AND CREDIT

Pact with Japan lifts hopes of rate cut

THERE COULD be few more graphic illustrations of the growing link between the US and Japanese economies than events in the US credit markets For some time, Wall Street For some times over its has been looking over its has been looking over its shoulder towards Tokyo to see shoulder towards Tokyo to see shoulder towards Tokyo to see how the Japanese would respond to the November Treasury outcions. This week, when the whiff of a rumour that Japan might be thinking of cutting its discount rate was picked up in New York, bond prices rallied immediately — a move that was justified on Friove that was justified on Friday by the surprise announcement of a new exchange rate agreement between the US and Japan thet includes a Japanese

count rate cut from 3.5 per cent to 3 per cent. One element in Wall Street's reaction to the Japanese initis-tive is the feeling that the Federal Reserve Board will now federal Reserve Bualt wake a have more leeway to make a discount rate cut itself. But over the short term, the most significant factor of the American to the can Japanese agreement to the credit markets is that it should ensure a healthy Japanese participation in this week's auctions, when the Treasury will raise a thumping \$29bn from investors.



Jopan will maintain the attraction of US yields to Japanese principal an enormous been showing an enormous appetite for US paper throughappetite for US paper through-out the year, largely ensuring the success of the last two large suctions. At the same time, the new exchange rate pact is designed to take 8way much of the currency risk facing the Japanese after o year in which investments in the US have suffered heavily from the sharp decline in the from the sharp decline in the dollar. Although no exact targeting for the two currencies has been announced, the two

slipping much below its present

levels.
Once the Treasury ouctions are away — the package of new issues will consist of \$10bn of new issues will consist of alread of three-year notes, \$9.750n of 10-year notes, and \$9.250n of 30-year bonds—the longer-term prospects for a cut in the US discount rate are likely to the focus of market attention_

There is little support as yet on Wall Street for the view that the Fed might be tempted to follow immediately with a

cut of its own, although the meeting of the Federal Open Market Committee this week clearly provides the opportunity for some strategic decisions on this issue. But some analysts feel that the bank of Japan's move "opens the door to a Fed sasing," as Mr Philip Braverman, of Irving Securities, puts it.

Wall Street has a broad consensus on the two factors that are likely to be dominating the Fed's thinking in the next few weeks. The first is the question of the dollar, which has strengthened steadily since around mid-September as the onomic news from Washing-

The dollar has moved up by 5 per cent to 8 per cent against the main European and Japan-ese currencies in this period, but the foreign exchange markets have not seemed entirely convinced that the but entirely convinced that the downward drift has been stopped. Dealers argue that the US currency still appears vulnerable to weak US economic statistics, and in the immediate term to a poor showing by the Republicans in this week's Congressional elections, when a Democratic victory in the Senate would be seen as a

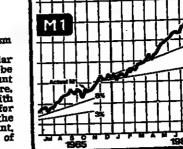
The exposure of the dellar

analysts are focusing on a set of recent statistics that suggest some acceleration in the economy from the 2.25 per cent annual rate recorded in the first nine months of this year. On Friday, for example, the index of leading economic indicators showed a 0.4 per cent rise in September, reversing the slight declino in August, while the statistics on factory orders showed a 3.4 per cent jump in

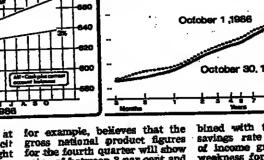
to downward pressure may be one factor against a US discount one factor against 8 US discount rate cut in the near future, despits the agreement with Japan. The second question for the Fed is the direction of the economy — and on this point. economy — and on this point, there is a wide variety of emphasis on Wall Street.

While scarcely snyone is suggesting a really strong economy at present, many analysts are focusing on a set fallower traities that suggest

showed a 3.4 per cent jump in



Federal Reserve Monetary Target



are also showing gains at present, and the trade deficit has now shown two straight months of decline—down to \$12.6bn in September from \$13.3bn in August and \$13bn in Luke

This constellation of greeted by the Administration as a "signal for renewed optimism," has led some Wall Street firms to upgrade their forecasts for fourth-quarter growth, or to stick unequivocgains of between 3 per cent and

On the other side of the coin is the belief that the current improvement in the rate of economic empansion is only temporary. Mr Sam Kahan, of Klienwort Benson Government Securities, for example, points to the slow down in employment gains—from an average of 250,000 jobs months in 1986

savings rate and the slowing of income growth, as signs of weakness for the future. weakness for the future.
For analysis tooking at these figures, it is not so much a question of whether the Fed will cut the discount rate as when. Will it wait until late December or early next year when the trend should be when the trend should be clearly perceptible, or will it move sometime this month to maintain the current momen-

Terry Dodsworth

UK GILTS Signs of recovery as sterling improves

ONE MAN'S headache is another man's profit. The leap in the Reuters chare price probably says as much as anything else about the ill-starred entrance of London on to the world stage of

international finance.

Hogging the limelight for most of the week were the Stock Exchange's SEAQ automated quotation and TOPIC systems. The constant hreakdowns were particularly maddening for equity dealers and it doesn't look like the problems can be sorted out to whon Japan cut its discomplement to the fourth time it and then treated its audience to an intima with the US with which a trade surplus of rather than an annual \$55bn.

Foreign exchange reacted swiftly on Fridation that the sorted out to the fourth time it and then treated its audience to an intima with the US with which a trade surplus of rather than an annual \$55bn. international finance. problems can be sorted out to verybody's satisfaction for

Improvisation and s lot of patience will be needed, even in the less hard-hit gilt market which doesn't rely on the Stock Exchange's systems to trade but uses them as a notice hoard for nains to be seen prices. It remai whether the compromises thrashed out last Thursday between the Stock Exchange, the Bank of England and gilt market makers will be enough But the bilateral deal leaves to restore last week's loss of a lot of manswered questions, faith (and face). If it isn't, even if you ignore those cynics

there is oo doubt that the purveyors of green-on-black news screens will be eager to step out of the wings.

All this was turned into B sideshow at the end of last week sideshow at the end of last week whon Japan cut its discount rate for the fourth time this year and then treated its global audience to an intimate duet with the US with which it has a trade surplus of rather more than an appeal \$5500.

Foreign exchange markets reacted swiftly on Friday to the joint statement by Mr James Baker, US Treasury Secretary, and Mr Kiichi Miyazawa, Japan's Finance Minister, that the exchange rate realignment the dollar since the Plaza Agreement is now broadly consistent

ment is now prostuly consistent with present underlying fundamentals."

The dollar, already looking very well bid on the narrowing of the US merchandise trade deficit immed again. deficit, jumped again.

who are suspicious that the whole show had been put on for the benefit of the American voters who go to the polls this

At first sight, the trade-off At first sight, the trade-off seems logical. Japan cur its discount rate and promised action to spur domestic demand while the US pledged it would no longer talk the dollar down. It will be interesting to see how the US administration, let alone the Bundesbank would react if the current dollar rally react if the current dollar rally extended much further. Some chartists are talking shout a rise to as much as DM 2.30. Far from encouraging exchange rate stability, trading could be far more volatile, at least over the next few weeks.

where does this leave sterling and gilts? The combination of firmer oil prices in the wake of Sheikh Yamani's dismissal and the stronger dollar have certainly helped the exchange rate so far and given the gilt market a firmer undertone. By the end of last week, re-tail demand has picked up some-

what and market makers were shis to shift more of last week's tap stock off their books. There is an interesting historical is an interesting historical parallel here, according to the Bank of England's record books. The last issue of stock by tender to have been oversubscribed was also the last dual conversion gilt in November, 1985.

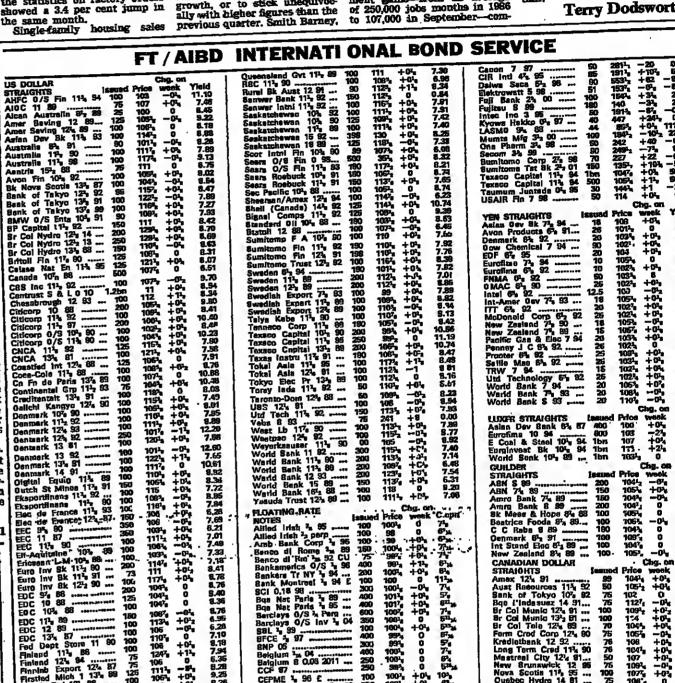
The Bank of England's issue of four taplets totalling \$400m on Friday seemed to strike the on Friday seemed to strike the right balance in a market which is showing signs of recovery but is still not in the pink of health. Gik-edged traders said another film issus would have sunk like a stoos in current conditions, but there should be no trouble selling these smaller

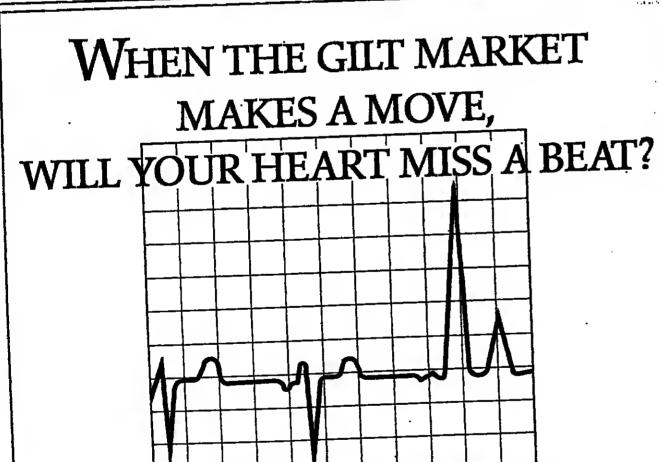
loaking brighter.

The market still has longer-term worsies to think about such as inflation, the balance of payments and Mr Nigel Lawson's tax cuts. The Autumn Statement this month will be looked at with great interest.

ranches now that sterling is

Janet Bush





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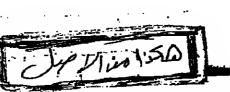
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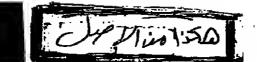


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HANSONTRUST

Fiat confident of victory Investors disclose in Alfa takeover battle

BY JOHN WYLES IN ROME AND JOHN GRIFFITHS IN LONDON

THE FIAT group "clarified" its stood to have put a value of about takeover offer for Alfa Romeo at the weekend, confident that by Friday it would have beaten off the ridge of 100 per cent ownership.

**THE FIAT group "clarified" its stood to have put a value of about an impending decision on the rival bids for the severely alling, Italian state sporting car manufacturer.

**Ford's proposals were tabled at the proposal specified in the rival bids for the severely alling, Italian state sporting car manufacturer.

**Ford's proposals were tabled at the proposal specified in the rival bids for the severely alling, Italian state sporting car manufacturer.

**Ford's proposals were tabled at the proposal specified in the proposal specified in the rival bids for the severely alling, Italian state sporting car manufacturer. day it would have beaten off the ri-

val bid by Ford. IRI Finmeccanica, the state holding group which is analysing the competing proposals, has promised to make a judgment in favour of one or the other by November 7. It now appears, however, that the Government's decision on whether to accept or reject the IRI recom-

mendation will come later.
Fiat was not revealing yesterday any details of the figure it is offering to pay for Alfa which was sent to Finmeccanica on Saturday. Early last week the state group complained that it could not properly compare the Ford and Fiat propos-als because Fiat's projected global

However, Fiat is widely under-

Hugo Boss

strong sales

By Andrew Fisher in Frankfurt

HUGO BOSS, the West German

maker of stylish suits and leisure wear for men, raised its exports by nearly 50 per cent in

with total sales also showing a

Boss, whose shares vare floated on the German stock market last year, booked a 38 per cent increase in overall sales to DM 337m (\$164m). This,

it said, was much faster than the growth shown by the

achieves

sharp increase.

the company at about L1,000bn but the US company wants to hold only 19.5 per cent of Alfa for three years

before it moves up to 51 per cent. First has been "pushed into" making its hid for Alfa Romeo by the Italian Government, according to Mr Vittorio Ghidella, managing director and general manager of Flat

"It is the Government who is in-terested in finding a solution for Alfa Romeo. Ford was the latest at-tempt at this but I don't know why Ford should be interested," said Mr His remarks, which are to appear

investment in Alfa of up to L8,000bn in a report being published this (\$715m) lacked a clear indication of month by the Economist Intelli-how much was being offered for the gence Unit, seem likely to complicate further the already complex political manoeuvrings surrounding

stake in Goodyear

AN INVESTMENT group led by Sir made the announcement after the James Goldsmith and including the market closed, consists of General

The group may seek control of the company but has decided "not to make a tender offer at this time" because of the recent volatility in Goodyear's shares, it said in a filing with the Securities and Exchange Commission in Washington.
It will await a restructuring study

due next week from Goodyear's inestment bankers before deciding its course of action, Sir James told Mr Robert Mercer, Goodyear's chairman, in a meeting last week. About 25 per cent of Goodyear's shares changed hands this week on top of 20 per cent in the preceeding fortnight. The share price, which had risen about 25 per cent in the past two weeks, eased \$% to \$48% on heavy volume, valuing the com-

tion on this point in the course of a pany at about \$5.4bn. lengthy interview with the EIU. The investment group, which core activity of tyre making.

US arm of Hanson Trust of the UK
US arm of Hanson Trust of the UK
has declared e stake of close to 11.5
per cent in Goodyear Tire and Rubber of the US, the world's largest
tyre maker.

The correct root make control of
cother limited partners (50 per cent),
control of the limited partners (50 per cent). other limited partners (50 per cent) whose identity Sir James said he was not free to disclose.

> Str James said he outlined his group's intentions toward the Ohio company over kunch on Thursday with Mr Mercer and other Goodyear officials. The options include: obtaining control; seeking a merger or other business combination; buying more shares in the open market or through a tender offer, and seeking seats on the board.

While Mr Mercer and Sir James agreed on many aspects of Good-year's business, their views "some-what diverged" on the issue of diversification, Sir James said. The investor group suggested that Goodyear should concentrate on its

Claims Europe SBCI New Japan Socs. Bank of Tologo lat. US\$ (Socs) Bankers Treat lot. Salogon Brothers Selissi House 7; Ball Resources 5; Yaoban Oopt. Stores 1; Rank of Telyo; Xarux Crack Corp.; Philip Monis; 109 100 1011/2 1093/4 1005/4 99.83 101 100 1 996 1 991 1 993 1 989 1 989 1 993 1 993 1 993 1 993 1 996 1 996 1 996 1 996 5.258 3.750 7.715 6.718 100 180 300 150 150 125 156 209 100 5.763 8.318 6.622 Sweden (c) ‡ Toyeta Motor Cr. ‡ Hankyu Cosp. ¶ 7.855 7.448 7.673 7.413 1961/2 1903/4 1013/a ford Motor Cr. ‡ Eksportficaces ‡ Eksportficaces ‡ 151% 100 181% Maril Lynch . 8.963 7.728 land Lause Fir. (e) ‡ CANADIAN DOLLARS 9,299 10,888 5,324 5½ 18 8½ sity of Cashec 1 EMAC Cacade ‡ Scotia M'gage Carp. (d) ‡ D-MARKS Bando Chemical Ind. 11 58 100 180 1991 1991 1953 Setter Corp. ¶ Kerwood Corp. ¶ THISS FRANCS 2.250 2.750 1.254 4.833 5.750 Bell Resources \$1 Sunster " \$1 Toyo Saisan" \$1 Nippun Piller P'ing" 1 Ind. Cr. & Inv. Cop (h Yunen Funushoks" ¶ Tutu & Lylu ¶ World Bank World Bank Pore, of Macinaha † Gradit Saisse Credit Suisse IBJ (Savitz) 993/4 100 100 100 75 39 140 889 150 1996 B.challa Soiz, Ita Lieyris Beak Gredit Suisse Credit Suisse 1993 2021 2011 (5.825)Prov. of Manitoba ‡ Tobolar Elec. Power ‡ Fuji Seiko** ¶ Tetsugen Co.** ‡ FAI Fin. Services 1998 LTCB (Schwitz) 181 4.928 FRENCH FRANCS 8.723 Cradit Eyenneis Olivetti brt. ‡ 1014 19.517 70ks 1991 7.758 7% 7% 7% 7.564 7.314 1991 EC# GIII DERS 5.465 Milden Sees. (Encopt 108% **6.221** Manuary Street

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(d) Convertible into FRM hast 2 years. (a) With option bonds for perchase of shares, Note: Yields are extendated on ANNS basis.

Singapore broker ordered into liquidation BY STEVEN BUTLER IN SINGAPORE

Ford's proposals were tabled at the beginning of October, Invest-ment of some \$118m over 10 years

to its capacity of about 400,000 units a year are believed to have been in-

chied in the proposals.

First presented its proposals last weekend, which included a \$5bn in-

vestment programme in a proposed new company linking Alfa Romeo and Flat's Lancia subsidiary. Mr

Cesare Romiti, Fiat group's manag-

ing director, said Flat would be pre-

pared to take immediately anything between a 51 per cent stake and full

ownership. However, Finneccanica said this

week it was still unclear on precise-

Mr Ghidella provides no elabora

ly how much Fiat was prepared to

pay for control.

and a doubling of Alfa's produ

CITY SECURITIES, the insolv-

ever, is not expected to stand in the way of a proposal from a local partner interested in acquiring City's seat on the Stock Exchange of Singapore (SES) via cash injection.

Counsel for American Express and Citibank, creditors to City Securities, petitioned for liquidation in an evident attempt to secure greater protection for their rights as an agreement for

industry as a whole.

Exports jumped by 48 per cent to DM 86m, and Boss said foreign awareness of its pro-ducts was growing. The sub-sidiary in Paris contributed to the improved performance, and the New York branch, opened in May, was operating on target The company, run by brothers Jochen and Uwe Holy, gave no indication of profits for the current year, but said the business trend shown in the first nine months was expected to last through the year. In 1985, Boss more than doubled its net profits to DM 22m

ent Singapore broking bouse, bas been ordered into liquida-tion by a Singapore court The liquidation order how-

corporatisation is finalised.

Any proposal to keep the company in being will now have to be approved by the City Securities creditors, regulatory authorities, and the court. City Securities ran into trouble after the collapse of Pan-Electric Industries in

Spanish bank well ahead BY OUR FINANCIAL STAFF

BANCO EXTERIOR de Espana, "Spanish banks will be faced the state - controlled export with a serious squeeze on credit bank, has returned a 30 margins if the government per cent net profit gain for the implements its plan to defirst nine months of 1986, Mr regulate deposit rates while Miguel Boyer, the chairman, lending rates are declining," said. He said the profit of Pta Mr Boyer said a drop in 572hm Said the profit of Pta are boyer said a drop in Shares of the 32.5m, or 15 per Ar Dain Zainiddin, the School almost equalled the leading as a result of lower cent, on offer by the Knala Malaysian Finance Minister, Lumpur government, said his government, with its of 1985, but several factors strength against the dollar could dim the outlook for would have a negative impact on profits.

The deal was timed to coincide with the visit to Malaysia 5 per cent, had no plans for by the Sultan of Brunei, Sir further sales of arline shares.

An earlier hearing to wind November 1985, which provoked up the company on October 17 a crisis on the SES that has stockbroking business, assets was adjourned until November now led to the collapse of six and expertise will remain intact 21 when counsel for City Secubroking houses.

21 When counsel for City Securities said e proposal was being
drawn up which would better
protect the interests of creditor
banks. The banks proved unwilling to wait however.

Any proposal to keep the
company in being will now have rently interested in putting up cash. A director, however, has confirmed that an agreement has been reached in principle

partner. An earlier effort to save the company collapsed in July when the SES rejected a bid and that paper work for the arrangement is in the final stages of completion. by Sun Hung Kai of Hong Kong Brunei buys MAS stake

System (MAS) after an inter-national share placing last week in which it was allocated 20m shares of the 52.5m, or 15 per

THE BRUNEI Investment Muda Hassanal Bolkiah, which Agency has emerged as the ended on Friday, Brunei was holder of a stake of about 5.7 said to have paid the same price per cent in Malaysian Airline of 4.50 ringsit per share which of 4.50 ringgit per share which applied to the rest of the placing.

cate the task of finalising an agreement with a new corporate

Mr Daim Zainuddin, the



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15th August, 1986

All of these securities have been sold. This announcement oppears as a matter of record only:

Financial Times Monday November 3_19

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Lloyds Chemists coming to market via placing

Up will last week the maxi- outlets, mainly in the Midlands.

mum at nount of money which a company could raise through placing was £3nt From Big Bang day — last Monday — the limit was raised to £5m on the USM and £15m on the main market, so making it easier and cheaper for businesses to raise finance through a

Lloyds has yet to fix the price of its chares, but it seems likely to be raising a little under £5m through a placing of a quarter of its enlarged equity. It will, however, be going for a quotation on the main market rather than the

La syde Chemists, a Midlands-base I chair of retail chemists, is to become the first company year-old chairman and manag-to take advantage of the new Stock Exchange rules on shop in Warwickshire in 1978 placings when it comes to the and has expanded rapidly to Its business ranges from dispensing NHS prescriptions to self-service retailing of toiletries, beauty products and household goods. It is also increasing its range of own-label goods and das just opened its first drugstore-style shop tracking under the Drugstop

Pre-tax profits have risen from £315,000 in 1982 to £1.1m in the year to last June on in the year to last June on turnover up from £5.6m to £20.7m. There is no profits forecast for the current year, but Lloyds says the period has started well and it expects significant expansion

Of the near Lim to be reised through the placing, a little under £2m will go to Mr Allen Lloyd and his brother Peter, the 32-year-old development director, and the rest will be used to finance the company's

A likely market capitalisation of just under £20m suggest an historic price/earnings mul an instance proce-earnings mul-tiple of 24—about twice the average for the wider market, but roughly in line with the figure for Superdrug and Tip Top Drugstores and far below the multiple of 34 carried by Share Drug.

Panmure Gordon, stockbroker to the issue, said Lloyds was taking the piscing route to the stock market not just to save money but because it preferre to find firm institutional hand for its shares rather than have them widely spread in small holdings.

of 150p and then struck their offer price at 170p, giving the company a market capitalisa-tion of £17m. The shares, over-

subscribed 4.4 times at the out-set, have since traded up to

Fletcher King offer this month

Fletcher King will become the second company of com-mercial estate agents to seek a market quotation when it offers chares for sale later this

The finishing touches are being put on the prospectus, Fletcher King said, in its first confirmation of speculation about a quotation. This speculation has been rifle in property circles ever since Baker Harris Saunders, the City of London agents, went to the market last

The advisers to the issue are **BOARD MEETINGS**

TODAY

Oxford Instruments, Towngrede Securi-ties, Tysons (Contractors), W.A.

FUTURE DATES

Interims: Associated Gritish Foods,

eridport-Gundry, UDO.

handling the share offer. The two were chosen by Fletcher King at least partly because they have remained inde-pendent of the financial conglomerates set up in the City in anticipation of the Big

207p.

Fletcher King has been considering a public issue for about five years. The company, led by Mr David Fletcher, was established 18 years ago and seeks to cover the same sort of ground as the big agents like Jones Lang Wootton and Richard Ellis, but on a smaller scale. M current expectations are met, Fletcher King could start its public life with a market capitalisation of around £10m, somewhat smaller than that of Baker Harris Saunders.

Baker Harris Saunders tendered its shares at a minimum

SHARE STAKES

CHANGES in company share stakes announced over the past week include: Fields has an interest in 600,000 ordinary (5.99 per

London and Northern Group Director Mr P. Cameron sold Anglo American Coal

Grampian Television

Westbury

Westbury

Five Oak Investments

Nov 11

Tiger Octs

Anglo American Coal

Nov 11

Nov 6

100,000 ordinary at 75p. Mrs

10,000 ordinary at 72p.

ATA Selection—Chairman Mr

Scordish National Trust

Nov 21

Nov 21

Director Mr P. Cameron sold

100,000 ordinary at 75p.

ATA Selection—Chairman Mr

S. Greenly purchased 100,000

ordinary at 50p.

Brunner Invest Trust.—On October 24 director Mr T. B. H. Brunner sold 12,000 ordinary

ast week include:

Lyle Shipping—Mr Randolf at 98p.

Alelds has an interest in 100,000 ordinary (5.99 per shapes, aftering his beneficial holding to 290,258 shares (2.64) per cent).
Erith—Director Mrs P. A.
Erith acquired 60,000 ordinary

at 25p. She now holds 160,000.
Wooltons Betterware Group
—Chairman Mr R. C. Thornton
purchased 50,000 ordinary at

jump in first half Pre-tax profits at A. Cohen &

A. Cohen

profits

Co, the maker of non-ferrous metal ingots, more than doubled in the six months to June 30 1986, moving up from £555,000 last time to £1.24m on turnover

unchanged at £24.2m.
This improvement confirmed the expectations of Mr Anders Cohen, the chairman, at the year Cohen, the chairman, at the year end and he said that he anticipated, a further good trading performance in the second half.

After tax of 5517,000 (£416,000) and minority interests of £112,000 (£91,000), earnings per share worked through at 32,66p, up substantially from 2,59p in the half year to June 30 1985.

The directors proposed a 3.7p interim (3.3p).

Eastern Produce falls

Pre-tax profits on ordinary activities at Eastern Produce (Holdings) fell from £4.32m to £3.67m in the six months to June 30 1986. The interim divi-dend is unchanged at 2.5p Turnover of this holding com-

pany—it has interests in plant-ations, trading and fishing—was lower at £19.16m (£20.21m), and operating profits were lower at £2.36m (£2.87m).

Virgin Group

Virgin Group, the record and airline company which is planairline company which is plan-ning to float its musical opera-tions on the London Stock Exchange, has appointed Sir Philip Harris, chairman of Hamis Queensway, to its board. Sir Philip will be joined by Mr Cob Stenban, European head of Bankers Trust. Both will serve in non-executive conscients.

Virgin aims to publish the prospectus for the flotation, which is expected to be by tender later this week. About 25 per cent of the music section's equity will be sold and the value of the company is expected to be between £250m and £280m.

F.T. Share Information

The following securities have been added to the Share Information Service. European Home Products (Section: Drapery & Stores); Heath (Samuel) (Engineering). Sandell Perkins (Buildings). United Trust & Credit (Trusts, Finance, Land). Finance, Land),

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I.G. INDEX

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Clay Harris looks at the revitalisation of Waring & Gillow

Shaping up to the retail revolution

Gillow, the furniture and carpet retailer, is on the road back to the stock market, and Mr Ashley Meyer has made sure that he stays in the driver's sest.

Mr Meyer, chief executive and managing director, has brought the company back into profit less than 18 months after a consortium backed by S&W Berisford, the sugar proand commodity inder, bought the bisted Waring & Gillow group for £24.9m.

The last time Mr Meyer masterminded a retailing turn-

round, as managing director of Debenhams' furniture division, he found control of the husiness promptly sold out from under him. So when predators began eyeing Beristord, he became determined not to let it happen again.

Mr Meyer now has the management security he was seeking. Berisford's sale of its 83 per cent stake on October 21 made possible a private placing with a broad spread of institutions. Gillow no longer has anything to fear from a possible takeover of Berisford.

Giffow now is aiming for e stock market flotation within two years. The \$44.7m placing of 89 per cent of the shares values the company at more than £49m, double the takeover price in May last year. Mr Meyer is now building on the initial cost-saving achieved by tighter management controls. Gillow has launched a £7m programme to refurbish all of its

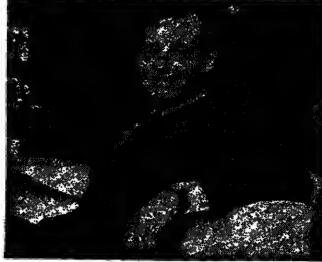
In the first 16 weeks.

Gillow is broadening its tract side.

Stores into full-range home In the new management's furnishing outlets. Except for first full financial year, to furniture and carpets—where it September 30 1986, the conns, lighting and soft

furnishings. It will extend the shopswithin-shops formula even further as it develops two fully dged department stores et Nottingham and Ilford, east Like other retailers, Gillow

has cast more than an admiring dance at the success of Next, the fashion and furniture chain. Mr Meyer sims to apply the lessons by developing Gillow's own chain-wide design image.
The company has also rediscovered the merits of a heritage dating back to furniture designer Robert Gillow, who set up shop in Lancaster in 1690. His designs will be revived in vestment had left the shops as



Mr Ashley Meyer, chief executive and managing director of

Tottenham Court Road.

A new stock control system

suppliers and to reduce average delivery times from 12 weeks to

The laggards do not last long.

"Anything that's on the bottom of the list for 12 weeks is finished." Mr Myers cays.

At Gillow's upper end of the volume market, where many

ustomers are more concerned

about quality rather than the most competitive price, the new economies have enabled the company to improve its

a range of furniture, carpets and textiles. As each store receives its facelifit, Waring (part of the name since 1903) dowdy downgers, herely conched by the retailing revolution of the preceding two decades. What the group lacked most of all, Mr Meyer says, was central control. There were few will disappear from the fascia.
Only Maples, with one London store and five in France and Beighum, and Wolfe & Hollander, a business furniture shop, will keep their present controls over stock, no central buying operation and no personnel or training systems "It was in termible state. There was virtually no infra-structure at all in the business.

1..., and a mountain of stock.

1 found stock 10 years old in this building," Mr Meyer says at names. Maples will carry the new Gillow lines, however, and its furniture has already begun to reflect a more conservative

Gillow has also converted the UK stores. Wolverhampton, the last Waring & Gallow store in first new-look store, has central London, in Knights-increased sales by two thirds bridge, into a retail showcase in the first 16 weeks.

for Lablanc, its design and con-

will rely on its own expertise— pany achieved pre-tax profits of it is contracting out individual 54m, including 51.4m from departments such as fitted property disposals. In the pre-kitchens, lighting and soft vious 18 months, all but five under the previous manage-ment, losses had reached £7.7m. latest year was barely changed from the 12-mouth everage in the previous period despite the closure of seven Waring &

Gillow stores and 12 carpet shops located within Texas Homecare DIV stores. When Mr Meyer took over last year, the company was becalmed at the upper end of the volume furniture market. Its Waring & Gillow stores, pre-dominantly in the north of

France bave joined the Brussels France have joined the brussels money-spinner in profit. Nine US stores in Florida and the Washington DC area, which had lost a total of £7m since their acquisition in 1980, have also come out of the red. "We've chopped all the

tatuous expenses out of the business." says Mr Meyer. Nearly 400 of the company's 2,100 UK jobs have also gone. For Mr Meyer, like Gillow, the pest 18 months have marked an impressive comeback. Now aged 38, he spent 14 years at Debenhams and turned its furniture division round from a furniture division round from a 23m loss to a 23m profit within one year. He quit in 1984 when Debenhams sold a 65 per cent stake in the business to Harris Queensway, which bought the rest when Burton Group took over Debenhams last year.

Mr Meyer immediately focused on Waring & Gillow as a bid target: "I knew that the business hadn't been performing for years." His initial attempts failed to raise sufficient finance, but Hambros, the merchant bank, brought him together with Berisford, and this led to the successful bid.

Berisford always viewed its interest, held through venture capital subsidiary Albion Trust, as a short-term investment and never consolidated Waring & Gillow into its accounts.

But predators—first Hills-down Holdings and then Ferruzzi and Tate & Lyle— began to stalk Berisford, and Mr Gillow's executive office just behind the bedding department in the Maples store in London's Meyer moved to ensure that the stores group did not fall into unfriendly hands. involving weekly monitoring of best selling and most profitable lines, has enabled Gillow to negotiate lower prices from

Mr Meyer and Gillow's non-executive chairman, Mr Cyril Spencer—himself a casualty of management wars at Burton— initiated the idea of a buy-out. Berisford finally agreed to take £24.1m for its 83 per cent stake, and the private placing last week also reised £18.7m in new capital to fuel Gillow's drive wards an early flotation.

Once that is achieved, the company will be looking for takeover targets.

"I don't want to stand still with a business of £150m turn-over," says Mr Meyer, "I want a business of £500m turnover."

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3rd November 1986

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	Oct. 31.	0ct. 30	0ct_ 29	Oct. 28	Oct. 27	Oct.	19 High	Dow Low	Since Co High	inpliation
Government Secs	82,93	82.39	82.34	82.94	82.37	62.53	94.51	80.39	127.4	49.18
Fixed interest	88.87	88.83	88.87	88.86	68.76	66.61	97.68	86.55	150.4	50.53
Ordinary	1295,4	1279.1	1267.2	1255.6	1257.8	1251.4	2425.9	1094.3	2425.9	49.4
Gold Mines	277.2	9.085	285.9	थाउ	269.6	262.6	357.8	185.7	754.7	43.5
FT-Act All Share	907.27	800.61	792.72	786.97	787.28	783.44	832.39	664.42	832.39	63.92
FT-SE 100	1632.1	1615.8	1597,0	1583.6	1586.2	1577.1	1717.6	1370.1	1737.6	986.9

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FINANCIAL TIMES SURVEY

Monday November 3 1986

Swindon

After brilliantly exploiting its location to attract jobs without the aid of government money, this former railway town is set to change direction to emphasise social policies.

A change of heart

By Anthony Moreton, Regional Affairs Editor

SWINDON has always been the Wittshire plain town in more senses than one. Blessed with few abiding features, it has had to struggle to match the history and glamour of the attractive neighbours that surround it—Oxford, Chektenbam, Bath and Bristol and such country towns as Cirencester, Mariborough and Chippenham.

Yet, for all that, it is Swindon

yet, for all that, it is Swindon which has recently managed to prise from Lloyds Bank the accolade of the fastest growing economy in Western Europe. Swindon's trump card has been the M4 motorway, which skirts the town to the south; the first of the modern railway systems, the 125 Inter-City to the West Country; proximity to London and, in particular, London's Heathrow sirport; and a position at the crossroads of much of the road network of southern England.

It has exploited these manmade facilities brilliantly to attract a large influx of sophis-ticated industries. The one-economy town created in the last century with the establish-ment of the railway workshops has been turned into a modern town. At its peak the railway service-cum-industrial town full workshops employed more than of interesting newcomers. Most 17,000 people; today there are wear white rather than blue col- 400 and even these will have lers and all heve injected a gone by the middle of next year.

government grant money. Swin. moved above 12 per cent, don has managed to attract slightly less than the national more new industry than many average. Previously it had towns that have been able to always been a couple of points throw money at potential in-



town is poised to consolidate the advances of the past 10 to 15 years there is a possibility that much of the good work could be endangered. The council has shifted its stance and now believes it should not necessarily peach new Jobs from the council of the country. It

other parts of the country. It wants to place more emphasis on social policies.

As recently as 1950 Swindon was very much a one industry strong infusion of spending Following the last major power into the economy. British Rail closure this spring All this without a penny of Swindon's unemployment rate

below it. Swindon's transition to a lishment in the town of names

The town is certainly not sophisticated economy may be such as Allied Dunbar, Burmah,

creating sufficient jobs to re-relatively recent but the change Nationwide, Intel, Radio Ren-

place both the memployed and those coming onto the register for the first time. School-leavers alone account for ebout 3,000 new additions, slightly down on the 3,500 in 1978.

There have, too, been set-backs. Only last month IBM decided not to take up a planned site in the town for the Euro-pean headquarters of its telepeam neanquarters or its tele-communications equipment sub-sidiary Rolm. The company had bought 30 acres and had an option on a further 120; it had might have needed 10 times as

Companies willing to invest on such a scale are hard to come by and IBM's decision shows how difficult it is to win mobile

However, Mr Douglas Smith, heed of Swindon Enterprise and the town's soon-to-depart industrial adviser, says the corporate plan originally called for the creation of 3,000 jobs a year, and while that figure had not been achieved every year "the aggregate since 1978 is more than 25,000 jobs in industry and company the order creations." and commerce, the only areas we monitor. In the service industries, such as retailing there could be another 5,000." The problem is to find jobs for the unskilled. The new "sophisticated" industries—a term he prefers to high-technology— absorb all the qualified people. The makilled remain difficult to place, though Bluebird Toys has helped.



intention then was to attract heavy manufacturing industry, successfully achieved with the arrival of Pressed Steel Fisher (now part of the Rover group) to provide car bodies for Cowley. Plessey and Vickers. In the 1950s employment rose by

manufacturing.

The 1960s saw great structural change. The run-down of the railways began, and while and the service sector became relatively more important. The 1970s were e period of great structural change, aided by the national infrastruture ments that brought the high-speed rail link and the M4. Retailing grew rapidly at a time when it was declining nationally. Office developments

were also to lead to the estab-

pany and W. D. and H. O. Wills. Swindon Enterprises, set up in 1979 as the town's marketing arm, then conceived e strategy which focussed on selling the area to the City of London as an attractive place to invest. "That has been so successful that office rents here are

approximately £2 a sq ft dearer than in Bristol," eccording to Mr Smith. "This is where people want to be." net employment grew by some A campaign was also mounted 9,000 over the decade, manufacturing also began to decline than 30 are in the town, and Mr Smith says that one in six of the 90,000 working popu-lation of Thamesdown (the local council which takes in Swindon) is employed as a result of a dollar investment. "Compare that with the national average of one in ten

and you will see how successful we have been." The names range from AMI Microsystems, which was estab-lished in 1973 and has its Euro-

chem, Systems Integrators and Union Carbide. Five of them have European or UK Head-quarters operations in the town.

now the emphasis is switching towards Japan. The arrival of Honda, which chose a 250-acre site, far larger than it needs for its present operations, was the catalyst. Japan had been rejected by Swindon Enterprise originally because of the cost of marketing in that country, but with Honda's arrival other Jepanese concerns also began to look at the town. also began to look at the town. Inquiries have been received from the country and it is thought that two concerns are looking closely et the oppor-tunities. Mr Smith believes that one could make a decision by

Incomers face a shortage of land, however. The last major greenfield site, to the north west of the town, has just been acquired by the Haydon Devel-opment Group for what Is roads traditionally provided by claimed to be the largest pri-the local council, it will have

next Easter.



The Renault distribution centre, a former FT architecture award winner. has become a symbol for the modern industrial image adopted by Swindon over the past decade or so.

vately-funded town expansion scheme in Europe. The group is seeking a £500m development consisting of 9,000 houses to-gether with industrial units on e 1,500-acre site, of which 174
acres would be allocated to industrial use. This sector could
provide up to 4,000 permanent

jobs.
Much of Swindon's success has rested on the large land bank built up by the town fathers after the second world war. Any incomer could be virtually sure of being able to get land from the council. But the borough has only about 160 acres left, of which 92 are uncommitted. committed.

This does not mean that saturation point has been reeched. It may still be cheaper, with land et £160,000 an acre, to redevelop town centre areas with their old properties. It does, however, mean that develop-ment in future will heve to come as a result of the private sector providing the land. The Haydon scheme is there-

fore a pointer to the future, especially as the local authority severely constrained in what it can spend on infrastructure. There is a danger here. If a private developer, like Haydon.

CONTENTS

Industry Service Industry Profiles: Square D Peake & Co

Property Skillcentre

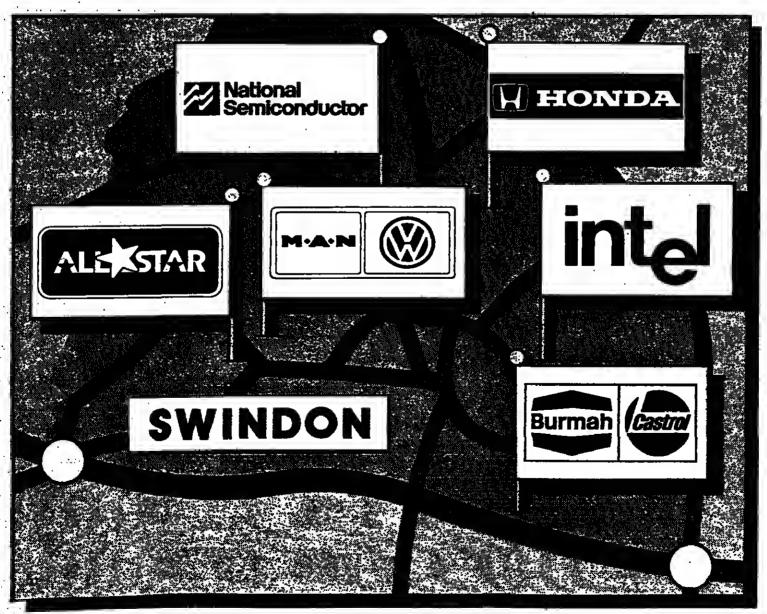
Profiles: Kembrey Group

to work the land to a higher density to produce its required rate of return on capital.

Swindon has some way to go before it can be considered the "complete" town. There is a shortage of hotels, especially et 2-star level, and the town also has an indifferent social and cultural life. It is not well endowed with good restaurants, and retailing has not matched the increase of spending power generated by the whitecollar increase.

business parks and there is an air of commercial hope about the town. Mr Smith says: "I believe, and the banks support the view, that Swindon is a very strong economy. Provided the financial institutions continue to see the prospect of a good return on their investment, the economy and the associated jobs will continue to grow."

WITH THE WHOLE WORLD TO CHOOSE FROM WHAT MADE THEM CHOOSE SWINDON?



After considering the alternatives, more and more companies have located to Swindon. Since 1980 over 30 major companies have made it their centre of European operations, and it's easy to see why.

Heathrow is just an hour by road, London 55 minutes by train. The workforce is multi-skilled and stable, the

quality of life outstanding.

Overheads are around one fifth of Central London's, so it's hardly surprising that

Swindon is established as the Profit Base.

Get the Fact File now. Contact Douglas Smith, Industrial Adviser, Civic Offices, Swindon or call him on Freefone "Swindon Enterprise.

The local authority has a range of sites available

Honda keeps future secret

Type of business

SWINDON is no stranger to the motor industry. The Austin Rover body plant, originally established by Pressed Steel Fisher, is still the biggest industrial employer in the town supplying the assembly lines of the Cowley and Longbridge plants.

Harris Press and Sheer Di

OEC Orthopsedic

Now the town is bome to the Japanese company Honda, which is playing its cards very close to its chest, about further development of its South Mars-

US Companies in Swindon

ton plant. The question being asked is: "Why buy 324 acres if only 10 is being used for body panel and pre-delivery inspection?"

It is difficult to persuade Honds to give any information and even more difficult to visit the facility, but once inside there is an inordinate amount

1983 1979 1970

1984 1972 1984

1986

interviewing and training.

The results of e joint feasibility study with the Rover group on the building of an engine plant are due to be published soon. So some facts may full the interventions fill the information vacuum that attracts theories stretching from e full assembly plant to a base for small engine products such as generators, lawn-movers and outboard marine

What is certain is that the

move by Honda is seen as an automatic endorsement of the Swindon location and a lead for other Japanese. And if a major plant is established, there would be an influx of supplier and service companies.

Facing the need to provide many thousands of Jobs the council is reviewing its policy on economic development and has appointed a new man in the new post of director of economic and social develop-

Jamie Robertson, who joins Thamesdown from the Mersey-side Enterprise Board, has already had to fight a rearguard action against proposed cuts in expenditure on attracting industry and in the number of people try and in the number of people working at Swindon Enterprise.

He has also had to face demands that all reference to information on private health and schooling is removed from the council's promotional litera-ture, and a directive that efforts to attract industry from other parts of the UK will be discouraged.

This is a problem as many this is a problem as many companies are still decentralising or looking for a new location to expand. As rents and competition for staff increases close to London, they are looking for the sort of alternative that Swindon offers.

But incoming companies do not always recruit locally. Intergraph, the UK subsidiary of a US computer graphics company, moved to the Delta Business Park in Swindon when it ness Park in Swindon when it could not find space et its Newbury base to combine operations under one roof. But it brought in 150 staff

.The company markets Inter-Although Plessey Semiconduc-



The £4m-plus headquarters of Intergraph on Swindon's Delta Business Park deigned by Oxford Architects' Partn ership

graph's highly sophisticated ters has been around for e long graphic software packages used time, the addition of National in the computer-aided design Semiconducter and Intel, among field from engineering to archi-tecture. It also welcomes a constant stream of people to its modern classrooms for training and its troubleshooter depart-ment to iron out any problems that may crop up when the equipment is in use.

It also feels comfortable being a hi-tech environment.

The greater benefits of the hitech companies are that many tend to be large, and therefore others, means that there is a community spirit which often seems important to the American microchip fraternity.

The loss of IRM-Roles and the specific of the hitech companies are that many tend to be large, and therefore are themselves an attraction to the smaller supply companies which cluster round. They are also often in manufacturing.

PABX manufacturing plant to Big Blue's complex at Havan to tise Portsmouth was a blow to the town's prestige client board, but is probably part of the same syndrome.

Father than Just research.

Swindon is in the process, therefore, of switching from the old style of engineering to the new style, while at the same time hosting companies which need mid-tech companies as

PROFILE OF A US COMPANY

The greater benefits of the hi- their suppliers. The loss of IBM-Rolm and its rather than just research.

Nor are they all to do with chips. The Roussel Labora-tories and Raythem give the town a strong toehold in pharmaceuticals and the range of other companies, large and small, plus the quality of job openings for its school-leavers and re-trained existing work-force is a testimony for the resilient future of Swindon.

Stuart Alexander

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The Roussel Laboratories centre, one of the early attractions to Swindon

Service Sector

Jobs range expanded

SWINDON has been quietly attracting successful in attracting service young peo successful in attracting service and financial companies for 20 sophisticated operation and financial companies for 20 sophisticated operation was years, increasing the range of Swindon has generally proved to be an attractive place to be an attractive place to

W. H. Smith moved its ware. Boberts retail group managing housing and book distribution facilities to Swindow. facilities to Swindon. As the business has grown and more functions have been moved in the number of jobs has grown

to about 2,000. It has about 250,000 square feet of warehousing to handle almost 2.5m packages every year. Also, as the retail administration headquarters for the UK has a big computer centre and has brought in more

senior executives. Swindon, is at the beart of Smith's nationwide chain of shoos, and handles all buying, marketing and sales as well as the distribution. There have been some small difficulties in

C U Properties

Allied Dunbar, the financial services group, is a more recent arrival. Three offices in the errival. centre of town employ about 1.650 people and another block has been leased. Both companies have tried to integrate in the local community, Allied Dunbar contributes about 2 per cent of its profits to local improvement. Smith is part of the Enterprise Trust and local hospital scanner

Exfince is proving that the electronic age can accommodate companies needing highspeed financial information which previously would have necessitated e central London location, the

PROFILE OF A NEWCOMER

highly-qualified private sector export finance to run such a company is confident that it can operation but bridge the 80-mile gap from

The Nationwide Building Society has centred its administration at Swindon almost as long as W. H. Smith, and has on-line links to its 600 branches throughout the UK, though it still has a headquarters in Lendon

Burmeh Oil has had its world beadquarters in the tower since 1975, and National Employers Mutual has its national headouarters, and 360 jobs, to Swin-

PHH International moved from Slough and Reading in 1980. It now employs 600 and may soon add another 150 as its principal business of supplying petrol credit cards to subscriber

Potential recognised early ONE OF the first 30 or so US associated companies to move into Swindon was Square D, which makes electrical switch-

It has been on the Cheney Manor Estate since 1962, start-ing with s 125,000 sq ft factory,

extending in three stages to its present 243,000 sq ft. Even before the extension of the M4 and the development

the M4 and the development of high-speed trains, Square D had recognised the potential of Swindon as a good location and source of labour. After two years as a marketing organisation with Plessey manufacturing on its behalf, Square D set about its own manufacturing. Swindon is the UK manufac-

Barnett, a British manager. Field offices across the country service customers, but sales are organised through a network of distributors.

In its 25 years in Swindon, Square D has seen a revolution in design, wholesale changes in manufacturing techniques and great fluctuations in the market.

The most important of these, explains Brandon Barnwell European managing director, have been the shakeout in the Middle East market, though exports still account for 30 per cent of production. Competition from overseas manufacturers dumping products into a wide-open British market, coupled with a downturn in the machine tool industry, has also hit sales.

The Swindon plant continues The Swindon plant continues to be responsible for some of its own research and development but the heavy research budgets are spent in the US directed from the Chicago world headquarters. As the "mother plant" for the company outside the US Swindon was instrumenthe US Swindon was instrumen Stuart Alexander Italy and Ireland and setting



Europe MD

up the plants in Germany and Jobs, however, have had to be cut. At its peak, using about 300 part-time shift workers, Square D employed about 1,600 people. This was cut to 1,100 and in the last year was cut again to about 750.

The workforce has responded well to the problems according to Mr Barnett. "We hold a happy hour every month when, over a drink, anyone can raise any issue they wish. It works well and the staff here are very



Ken Barnettdivisional manager

co-operative," he says. He is also content with the quality of school-leavers available. Nor has he found any problem in attracting skilled toolmakers, electrical fitters or sheet-metal workers.

The company makes full use of the support available through the training schemes but pre-fers to take responsibility for the specific training it requires. Square D is happy with its Swindon home.

Stuart Alexander

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Brave move out

IT TOOK just six months for Richard Clark's law firm Peaks & Company, to decide that it could run its commercial law department in Swindon rather the logistics of everything from

Such a move away from the bub was brave for a firm with only six partners. The satellite office will be run by just two partners, Mr Clark and Jeremy Holt, plus an assistant and office

Peake had considered marging with a provincial firm but when that did not come to fruition they still saw merit in the satellite operation. With the workload for the commer-cial department still being generated through London the office was guaranteed cash flow from day one.

One Saturday Richard Clark turned up in Swindon almost on a speculative basis out was wel-comed by the Swindon Enterprise agency and the local estate agency of J. P. Sturge. "Before I knew where I was they were showing me offices "and then we set about looking at all the other factors," he

as well as being able to service

"It took a great deal of management time working out the logistics of everything from telephones to removals, but at least it is a once-for-all job," he

Direct telephone line, a tele-fax and a train service which gets either partner to London in 50 minutes. And they have the advantage of being able to offer their services to a broadly based, expanding and separate busi-ness community.

"We are not generally com-peting with local firms as we ofter a specialised service," says Mr Clark. "But companies in Swindon have the same needs as anywhere else and the terms of their indemnity insurance will mean thet in bouse law dertments have to call in out-

"So we hope we will be able to expand locally. It will also bein in recruiting if someone can be assured of a good flow of specialised equality work."

Having to cope with the increased overheads of separate systems and offices — even at one third the rent they were paying in London—means it will takes a little time for the new centre to be profitable, but it is on target to be in the black Mr Clark wanted first to know if there would be oppor-tunities to expand the practice is on target to be in the black



Richard Clark

within two years.

The move to living out of London has gone smoothly. His wife saves hours a week on the short school run and though social life is geared more to weekends. Mr Clark says they have been received well by the community.

"You don't have to have been here for 30 years befere you're

Stuart Alexander



Boundaries burst by development boom

WHEN a TOWN is booming (and that is an accolade that Swindon has claimed) one of the most obvious outside signs is great activity on the property development front.

The taxi striver who said that

The taxi driver who said that business was good because everyone seemed to have plenty of money and added: "Well, you only have to look at how many new bouses are being

yeu only have to look at how many new houses are being built and how quickly they are snapped up" had more than adequate evidence on his side, as a half-hour tour round the outskirts would confirm.

Further confirmation has come with the announcement of a consortium scheme, led by Crest Homes, to develop the Haydon site and a planning application for one of the biggest schemes in the country. Having expended east and west, the Haydon Development Group would like to see Swindon develop its rarthern sector. It has asked for permission to build on a total area of about 680 acres of residential land, and 174 ecres of employor about our extres or residencial land, and 174 ecres of employ-ment lad, devote 6- acres to a district centre, a leisure centre, and retail shopping, deaving a

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en geografischer State

and retail shopping, deaving a further 355 acres of open space. The whole scheme, covering more than 1,250 acres, would cost about £500m, and could mean up to 9,000 new houses being built. It would be almost a new small town in its own right and the proposals are likely to go before the Environment Secretary after e public inquiry.

inquiry.

A planning decision is likely to take two or three months.

In describing its scheme as "possibly the last phase of the planned expansion of Swindon." the consortium emphasises the projected creation of 3,000 jobs from the building programme stself and the likely creation of an additional 4,000 indirect

If also says that, unless tha go-shead is given for further development, there will be bousing shortages, as the popu-lation is expected to rise from

its present 130,000 to over 170,000 in the mid-1990s.
The western side developments have also created a new community, with a vast array of houses differing in styles and



houses are industrial developments, some of them futuristic. Renault distribution has striking yellow centre tenire has striking yellow tubular support pillars along its length, while the buildings on the Windmill HMI business park, being developed by the Kuwaiti-backed St Martins Investments, have the engular style of e modern science park.

In addition there are community amenities like the Carrefour hypermarket and the council-financed Link Centre, with an ice rink and e library. On the western side are most of the warchouse-type retail outlets offering furniture, carpets and doltyourself goods to people who like out-of-town shopping.

There is little opportunity to develop the Brunel Shopping Centre, which is the present heart of Swindon. Built by the local council, it offers a variety
of shops, many of them
approached by covered walkways and all linked to both open and multi-storey car parking: The council recognises that

further development necessary and it is under some pressure from retailers wanting to move in. But it cannot afford to finance further expansion and there is, in any event, a physical constraint on such expansion. So there are only plans for a big department store to complement the exist-

That means that there will houses differing in styles and be further pressure to build on Industrial land prices have prices from first time buyers to ont of town sites (Sainsbury is held up well. A guide price is executive homes. Alongsida the building on the eastern side at about £150,000 an acre, though

present) and the sppeal of the town centre will therefore be weakened. Council policy on retail patterns is due to be reviewed over the next three months and that, too, is causing some of the retail chains that would like to move in to

out-of-town opportunities so as to protect the town centre will merely lead to a string of appeals, as the present retail chain stores seem happy to stay

Loveday and Loveday reports

have remained static and one or two of the higher priced, higher specification units have taken some time to let. Modern units of over 15,000 sq ft range up to £3 per sq ft and older units up the £2.25. Similar rents apply to units between 4,000 and 15,000 sq ft. but there has been continuing de-mand for places of this size.

For smaller units there is e wide variation in rentals from £4.50 for desirable modern premises down to under £2 for older property.

hesitate. A policy which denies them

put.

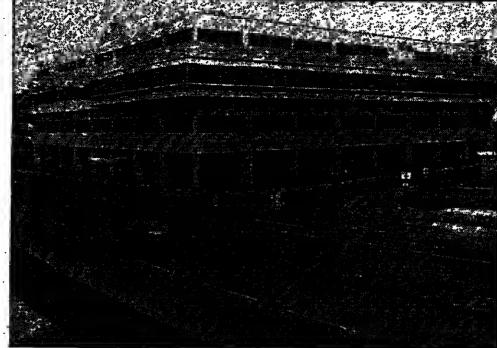
The opening of a Co-operative superstore in the Old Town, that area of Swindon above the present hub developed around the historic Great Western Railway works, has led to an interesting architectural solution to the problem of blending in with surroundings which have extra appeal to some of the older-established businesses, and where the

some of the older-established businesses. and where the houses are described by some as forming "our little Chelsea."

Many firms of estate agents are now monitoring the scene, with Sturge, Dreweatts and Loveday and Loveday in the lead. They point to expansion of local concerns, rather than ever more coming in as the ever more coming in as the main cause for office-block lettings and there is also a trend to shorter lettings as tenants keep their occupancy and rent options open.

that while developers in the central area are looking for rents in excess of £9 per sq ft a year exclusive of rates, "the magic figure of £10 per sq ft has yet to be achieved."

The total stock of industrial premises is down but rents



The Nationwide headquarters (above) and the Brunel Centre, examples of modern development in central Swindon

it remains to be seen how the biggest problem and potential opportunity in Swindon fits into this pattern.

Right in the middle of the town is the old railway works. It occupies about 150 acres, has road and, of course, rail access and at first sight could be thought to be prime. But there are problems. The undercore is ash, not the best bed to build on, and some of the buildings are listed. are listed.

The council has aiready shown what can be done with older-style architecture in the next rows of seen in the next rows of houses between the sbopping centre and tha works. They have been cleaned up and are most attractive, but the job of doing the same to the works is much more dausting.

Thoughts of "doing a Covent Garden" are accompanied by fears of the astronomical "ands needed to refurbish the old buildings. Moreover, railway lines are not as attractive as the

lines are not as attractive as the water which contributes the et-mosphere so agreeably em-ployed in schemes like the refurbishment of Bristol Docks and many other places where decine has been reversed. Swindon will need all its skills to engineer a solution that will turn the site into the right product. It is undoubtedly

in the right place. Stuart Alexander



Joint ventures pull in cash

from March next year all the guarantees end and it must try to break even. There will still be many government-funded retuaining schemes, but it must ensure that it has the right mix established to belp create small of courses, and can attract businesses, perhaps by workers candidates in sufficient numbers made redundant. to pay its way,

Mr Ron Saunders, who runs the centre, sees joint ventures and co-operation with other vocational and educational vocational and educational centres as the way forward. The centre's traditional provision of courses in bricklaying and carpentry continue to be very successful. Given the high level of activity on building sites all round the town, it is not surprising that people can be placed in jobs almost before they leave courses.

they leave courses.

The Skillcentre is built on the border of Thamesdown and attracts trainees from throughout Wiltshire and parts of Berkshire. Attempts to link with other training establish-ments in the town have failed, but Mr Saunders, still believes that they should complement each other rather than duplicate

entrees.

He has been successful in establishing joint venture courses with industry and is particularly keen to expand this role as the need for skill certification increases.

"There is going to be a grow-ing requirement for skilled people to have e certificate confirming training to agreed levels of practical skills," be says. There is also e need for industry to turn to Skillcentres

for their training on a contract basis, perbeps where manufecturers need to ensure that customers can use equipment properly. One example is eventure with a local company, Magnaflux, one of only three major companies in the UK making non-destructiva testing equipment.

They are offering a course for testers of equipment such as contacts from Egypt and the Middla East, where Magnafiux has export contracts.

The centre sent an instructor to be trained by both Magnaflux and one of its major customers, Rolls-Royce Aero Engines, So now it can take on the training school job run by Magnaffux and can offer Rolls-Royce com-petence certificates. On another course welders

largely been government-funded that they can meet Lloyd's of since it was set up in 1978. But London specifications, often an important prerequisita when

tendering for contracts.
At the other end of the scale the centre works closely with the Swindon Enterprise Trust, established to belp create small

made redundant.
Only a dozen applications for retraining followed the latest wind-down of the British Rail works, all of whom now have jobs. This may have been because as many as two-thirds of the 1,800 workers made redundant were over 50 years old and all the apprentices were offered jobs within British Rail.

The centre also has a restart programme for those unemployed for more than a year.

programme for those unemployed for more than a year. This involves a week's counselling, and includes advice on interview techniques, and providing background information. About 14 people e week are involved, and they can come for once-a-week visits after that for the weeks are interviewed.

up to six weeks.
Mr Saunders is unhappy, how Mr Saunders is unhappy, however, that more people are not
coming forward for training in
the traditional area of engineering. "Lots of companies are
screaming for traditional engineering skills," he says. He quotes
e recent example of a local firm
offering a skilled grinder £400
a week. There were no takers.
Some courses face problems.
Nobody turned up for one on

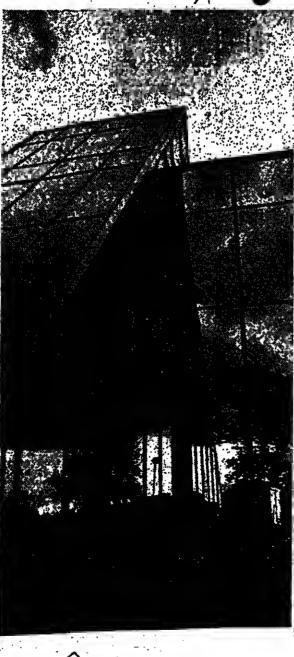
Nobody turned up for one on microelectronics, which led to enough publicity to attract e full complement.
So 12 places were offered on
a second course, but only four
people applied. Henca the centre's support for a marketing

manager. In another joint venture the centre will be providing the fecilities for a scheme entitled Weldlink and run by the Cranfield Institute of Technology. Formerly e centre of military scientific research and skill training et nearby Shrivenham, the Cranfield Institute has opened its doors to e far wider

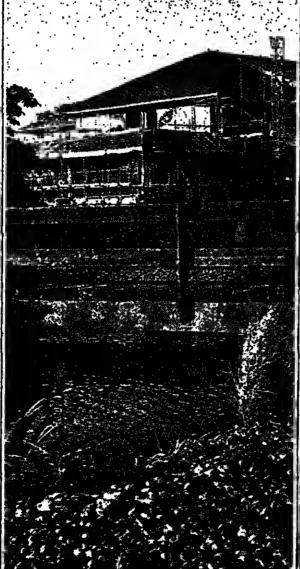
intake and is also aiming to be commercially viable. The welding fecilities and training et the Skillcentre will be incorporated into the Cran-field courses but these are only small beginnings for what Mr Saunders bopes will be a much broader programme of co-opera-

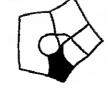
Stuart Alexander

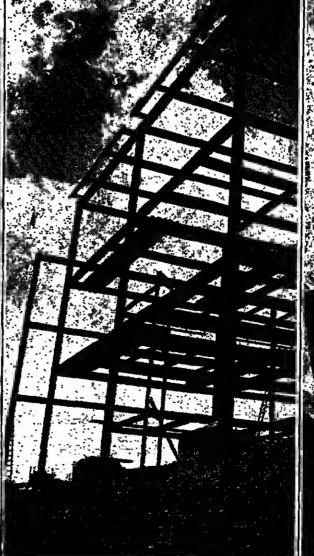
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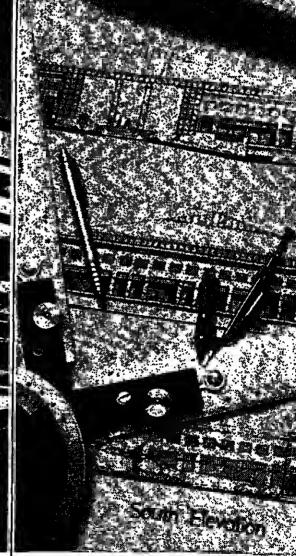


















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Swindon A development by St Martins Property Group. PROFILE: KEMBREY ENGINEERING

Re-emergent engineers pleased to be ordinary

MR BOB BURNS has his teeth firmly stuck into rewitalising the small engineering group he and his partners took over out the Kembrey Park estate.

An engineer firom Birmingham, he has been joined by Michael Cleary, an accountant who had been finance director of Dixons and Ladbrokes. They had no problem raising the capital to fund the leveraged buy-out of the group and both are impressed at the way Schroder Venture Capital, holders of 34 per cent of the equity, continue to contribute aftercare rather/than interference.

They have not that ninterier in the deceptively large machine and his partners took over our to do with Kembrey Engineer.

There have not that the town the town, originally a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves a microcoam of some of the problems which are themselves and it to do with Kembrey Engineer.

"Wa are turning round e business which is inherently profit—her in practice was only marginally so. Wa have had to practice was only marginally so. Wa have had to make some people redundant and, through a misunderstand-ing, that was received more unless with a the deveraged buy-out of the group and both are impressed at the way school to the engines are turning round e business which is inherently profit—her in practice was only marginally so. Wa have had to profit—her in practice was only marginally so was not company.

The connectors carrying the her capture in profit—her in practice was only marginally so was only mar

genius, will be the secret or success.

They have set their sights on being a mid-tech manufacturer supplying companies at the frontiers of technology.

"We are pleased to be ordinary. We are a re-emergent ensineering company freding the hi-tech industries and no-one should forget that they rely on the feeder companies," Mr Burns says.

When setting up they said it was easier to present a case for revamping an established company rather than creating something exvite and speculative.

They also hope to use the four-company group which employ about \$20 people, as a vehicle for expansion. But be-

panies in the town, originally a problems which can tantalise a small company.

"Wa are turning round e business which is inherently profiteble, but in practice was only marginally so. Wa have had to make some people redundant and, through a misunderstanding, that was received more unhappily in the town than it should have been. But hard work and courage, rather than genius, will be the secret of success."

The contrast of activities in the deceptively large machine shop, one of the oldest of that out-of-town developments in Swindon, highlights the complexity of the task. Alongside the rows of machine tools, the rows of the town than a threaded clamp with a couple of bolts, But being to recognisable as anything other camps. They are hardly necessarily to the complex to the engines are the clam

There are problems at home, too. Kembrey is constantly searching for skilled craftsmen, particularly machine setters.
Nationwide advertising has produced only two, and one is fikely to return home to his family.
The five apprenticeships a year will not be enough to cope with an ageing workforce.

Stuart Alexander



Bob Burns (left) and Michael Cleary, with a Coffman starter, used for engines in harsh conditions

Hotels

More room at the Inn

WHEN THE Holiday Inn opens its doors in 1988, probably in the spring, Swindon will be well provided with three and four-star hotels. But it will take two-star hotels offering a more economical service. It is exceptionally difficult to the start of the start hatel obtain a three or four-star hotel room in the town in midweek, when they are filled with busi-ness travellers, and hard to sell them on the weekend, in spite

ness traveners, and hard to seil them on the weekend, in spite of discounting.

Marketing campaigns may go down well in London or resorts such as Stratford on Avon or Harrogate, but life for the hotel marketing manager in places like Swindon is more difficult over the weekend.

The Holiday Inn will bring Swindon's taily to half-a-dozen good hotels. The Crest has recently been refurbished at a cost of about film and now has the almost essential leisure facilities that tired business bodies and minds are expected to benefit from. Trusthouse Forte's Post House also has a gym and swimming pool, alongside the restaurant were high-calorie meals make attendance on the bicycles and in the pool almost mandatory.

Blunsden House, although not in the town contral is the town

Blunsden House, eithough not in the town centre, is the top-rated hotel and the only four-star until Holiday Inn opens. The complement is made up of the Goddard, now owned by

of the Goddard, now owned by Grand Metropolitan and the Wiltshire, which belongs to Chrysalis Records.

At the next level down there is no dearth of interest but little commitment. Haif-a-dozen groups are understood to be taking to the council about planning permission for the construction of two-star hotels which would provide from 60 bedrooms to about 100.

These groups all want to be near the M4 on greenfield sites. It is too expensive to refurbish an existing building at tha level of service these provide.

The council has set up a project group to consider the applications but there is a feeling that it is not only acting

too late but has done too little over the past few years.

The big influx of companies into Swindon has put enormous pressure on facilities and the local authority seems to have been far more concerned with attracting new jobs than with providing the facilities that go with them.

with them.
One or two concerns have one or two concerns have even been toying with building their own residential training and conference facilities to get over the problem. This would mean their going outside the borough, since the supply of available land is limited. Some

have already put their staff into hotels well outside the town. Given the good facilities in Bristol, Bath, Cheltenham and Oxford, all within 30 to 40 minutes drive—Swindon could lose a valuable source of income and employment unless it takes a more positive attitude to-wards hotels.

On the positive side, the town has built excellent leisure facilities, with the £10m LinkCentre and its ice rink comparable with any in the country. But there is still a great need for a conference centre that the sort of companies now in Swin-don demand. The largest con-ference "centre," in one of the hotels, can accommodate only

150 people.

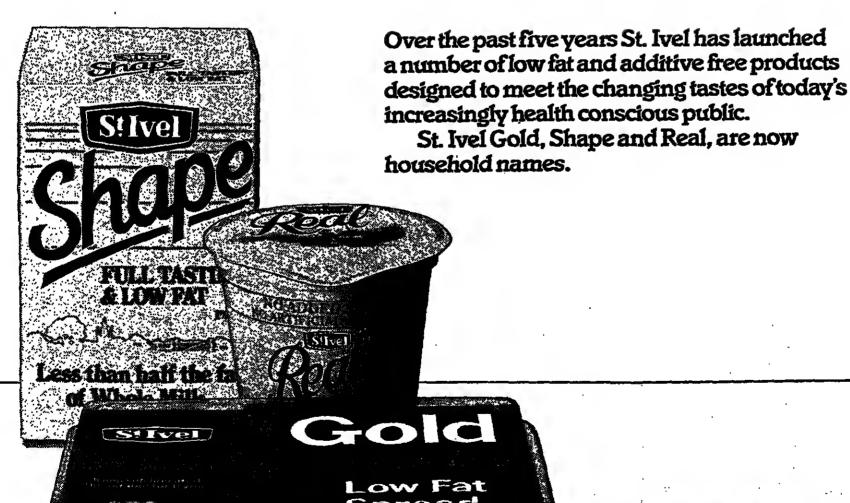
The faith of companies which want to build at the lower end of the scale is almost matched by one at the very top end. Isis, a Midlands plant-hire and construction group that went into hotels with the up-market Ettington Park near Stratford-

on-Avon, wants to repeat the operation in Swindon.

The group found what it considered the ideal location, a country house in the village of Sunton Fitwarcen. But it fell foul of beinging from rillages. foul of objections from villagers and the council turned down Isis's application. Isls is appealing against the decision and a decision is expected early next

Anthony Moreton

The Foods



St Ive ST. IVEL LTD., SWINDON, WILTS.

PROFILE: LOU MACARI Local hero wins on points

THE MAN who has assumed the mantle of local hero in Swindon has only been in the town just over two years. Lou Macari, a teetotal Scot with an American wife, is carely to be found anywhere other than in an out-of-centre site on the

ring road.

When he arrived to manage Swindon Town Football Club it was languishing in the Fourth Division, had sold its heritage in the form of players to anyone who would take them and its ground in the form of a big loan from the local anthority. loan from the local anthority. In two years Macari, who had spent 11 years at Manchester United, has reshuffled his meagre resources in such a way that his team is more disciplined.

and can achieve some good results on the pitch. results on the pitch.

The town council, instead of consigning what somethought e white elephant to e peaceful death, have given the club a new lease of life—or, at least, they have lifted the pressure for debt repayment — while a revitalised board of directors has to some extant abandoned its cautious ways and allowed the playing management some freedom.

about points in the league table than day-to-day cash flow, but he knows what a successful foot-ball team can have a beneficial effect on the whole town. It makes a big difference that the town's name is conveyed to millions on television and in the newspapers every week in the results sequence.

When the team is also doing well it appears in the top-of-the-table extracts. It is more likely to be used in the match reports and generally becomes more widely talked about. Internally, that public relations bonus was at least as import-ant to Macari last season as it

bonus was at least as important to Macari last season as it was for Swindon Town in general.

For last season, after a ter from propitious start, Swindon Town romped away with the fourth division championship, notchang up 102 points, a record in the era of a three-point win. It promptly made Macari a rether botter property in the hurly-burly of the football management game.

He is still the subject of many approaches and many believe it is only a matter of time before he is lured eway to a more glamorous and richer club. Meanwhile he has brought back a sense of pride which spreads far beyond the terraces of the county ground.

Eve; where there is plenty of employment it is recognised that the local football team can improve the mood and en-



FC's manager.

thusiasm of the Swindon work-force when it is winning. Macari also sees that those who have lost their jobs may in turn have been given heart by his

"People look for some sort of distraction from the hard-ship of not having a job," he says. "In the last 12 to 18 says. "In the last 12 to 18 months the club has been a help to those who do not have

Nor has an increase in the number of unemployed hit Swindon at the turnstiles. That combination of success on the pitch and a need to share in the winning has persuaded many to follow the team more closely at bome and away.

closely at bome and away.

They have been coming in at the rate of 6,000 a game on average end the Milk Cup tie against Southampton brought in 9,000. That home raid away tie alone boosted club income by about £17,500, an apparently insignificant sum in Macari's former world of Manchester United but a valuable boms for a club like Swindon.

If there are no disasters the If there are no disasters the club will show a profit this year but Macari is walking a tightrope as he coaxes his 17 players through a long season. A crop of badly-timed injuries would see him having to pull on a jersey himself more times than he would like et 37.

Even progress can be e

Even progress can be e bazard as what is essentially a squad of players with the talent to win the Fourth Division is stretched by the third and would be unequal to the

Macari is pleased with the support he has received at Swindon but remembers that, after the shock of being relegater the shock of being resegrated at all, Manchester United was full of cheering fans every week as they swept all before them in the Second Division. Success and commercial profit went band-in-hand.

went band-in-hand.

Not that bis pleyers are likely to give him the luxury of confidence as he suffers the heart-in-the-month leaps that seem to be the football manager's job. "Happiness for e football manager." be says, "is a comfortable second balf." Happiness for Swindon fans will be to see Macari still comfortbe to see Macari still comfortably in place in the second half of the season.

Stuart Alexander

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131 107 Recent Issues " and " Rights " Page 41 (International Edition Page 31) This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a lee of £875 per annum for each security.

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Shand Ltd. Shand House Mattock Derbyshire DE4 3AF Tel: (0629) 734441

£13m naval base jetty

COSTAIN CIVIL ENGINEER-ING, part of Costain Group, has been swarded a £13m contract by the Praperty Services Agency to construct the Westau Mill lake jetty at HM Neval Base, Devonpart. The contract is expected to last 26 manths. A 485-metre-lang wharf will be constructed, cansisting of 25 reinforced concrete caissons supparting three reinforced cancrete subways and the overlying deck. Each caissan is around 20 metres laog, 13 metres wide and 13.5 metres bigh, and weighs abaut 2,000 tonnes. Sea - dredged matorial will be deposited at tha rear of the new wharfage, to 2,000 tonnes. Sea - treaged matorial will be deposited at tha rear of the new wharfage, to reclaim various areas. An approach structure comprising faur more caissans, together with an access causoway from the land, will alsa be built. Ancillary structures and associated infrastructure include an amenities building, substation and plant room in three edjocent buildings, to be built on reinforced cancrete raft foundatians, plus all reads, deck furniture, and a sludge disposal facility far the wbarf. The contract also calls far the fabrication and installation of two rail-guided, travoling dockside cranes.

CLARKE CONSTRUCTION (MIDLANDS), part of the Clarke Group, bas won a contract from St Modwen Properties to build a 48,500 sq ft starage and distribution warehouse in a £1.8m plus British Telecom development in Kansas Avenue, Salford, Manchester. The building contract includes an integral office section, loading areas with dock levellers and shelters, all mechanical and electrical services, and 75,000 sq ft of external thardstanding. The project is hardstanding. The project is sheltered for exemplation in CONSTRUCTION bardstanding. The project is twa escalatars from ground ta scheduled for completion in spring 1987.

Possible overload forecast

regian.

Projects in the pipeline include the new Dartford bridge across the Thames, redevelopment af London Docklands, exment af London Docklands, ex-pansian of Stansted Airpart, and the wave af office building in the City af Londan. Research by quantity sur-veyars Gardiner and Theabald estimates e combined turnover of £2bn a year if all these schemes are completed in the

Advice centre and library

at Hounslow NORWEST HOLST has started a

NORWEST HOLST has started a sitting-out cantract warth £3.6m for the London Borough af Haunelow on a central library and odvice centre. Work involves completing the interiar af a newly-built three-storey shell, which forms part of Hounslow's town development "The Treaty Centre." When it is completed the centre will have retail units. the centre will have retail units,

uncertain because 86 per cent af the £2bn annual forecast is concentrated into only 13 schemes:

In the City, four projects account for 42 per cent of planned developments, worth a tatal of about £1.5bn.

In Docklands, six schemes make up almast 90 per cent al a projected tatal af £5.2bn.

CONTRACTORS are salivating over the prospect of £2.6hn worth af extra work in the next five years. Thet would be equivalent m 20 per cent of the prospect of £2.6hn worth af extra work in the next five years. Thet would be equivalent m 20 per cent of the prospect of £2.6hn worth af extra work in the next five years, after the Eurotunnel Group struggled over its first financial burdle last week with a E2.6hn work. Projections for poorto-average growth by the buildness of the industry is thrown from low gear into overdrive to meet new demands.

Far, as well as the tunnel, there are at least e dozen large schemes planned within e relatively small area af south-east England. If they all take aff, natianal projections far sluggish constructian growth wauld be shattered. But this could also lead to soaring costs and labour estartages as the industry is seriausly overheated in the regian.

Projects in the pipeline in-

Disagreements amang estate agents ebout how much affice space the City will need after the Big Bang add a few more question marks. And the industry is still balding its breath for autside tenants to materialise far the 12.5m sq ft Canary Wharf scheme in Dacklands. "Londan and the south-east "Londan and the south-bases are poised on e see-saw."
Gardiner & Theobald says. It is nat making any bets whether contractors will be up in the sir in the pext five years, or down



An architect's impression at Western Dock 2, a £14.3m An architect's impression at Western Dock 2, a £14.3m housing development in London's dockland being undortaken for Regalian Properties by JOHN MOWLEM & CO. The scheme will provide 313 homes in four crescent-shaped blocks, each around a courtyard, with a mix at flats and traditional mews bouses rising from three to eight storeys. The opper storeys of the eight-storey sections will have glazed facades and the whale development will have views across the Thames and Tower Bridge. Piled foundations are being driven through the ald Western Dock, which was backfilled in 1960 to the London day beneath. The faur blocks are of concrete-framed construction and will be built using metal shuttering known as the tunnel farm system. Work is scheduled far completian in antumn 1988.

FINANCIAL DIARY

The following is e record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisians shown below are based mainly on last year's timetablo.

COMPANY METINGS

Tysons (Contractors)
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Barcias Oversass Invest Gtd Undated Fits
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Barrow Hepburn 1p
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MS Cash and Carry 1.00p
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3.554pc
Morrison (Wm) Supermarkets 0.4p
Newmon Indo 0.5p
Noble and Lund 0.35p
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Baynes (Charles) 0.3p
British Petroleum 10.3p
British 10.3p
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FRIDAY MESTINGS—
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Street, W, 12.00
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A Financial Times Survey World Telecommunications 1st December, 1986 Nina Jasluski an 01-248 8000 ext 4611 FINANCIAL TIMES

Europo's Business Newspap

Trade fairs and exhibitions: UK

November 9-13 International Woodworking Industries Exhibition — WOOD-MEX (01-486 1951)
NEC, Birmingham
November 11-14 November 11-14 New Technology Exhibition— BARCLAYS TECHMART (021-780 4171) NEC, Birmingham

November 15
Antiques Fair (01-883 7061)
Alexandra Palace
November 18-22
Communications in Business
Exhibition (m 21st); Engineer-

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(Design and Production) Engineering Exhibition; (031-225 5486)
Scottish Exhibition and
Conference Centre, Glasgow
November 18-20
London Building and Construction Show (0474 874089)
Kensington Exhibition Centre
November 25-28
International Pharmaceutical
Cosmetics, Tolletry and Allied
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Overseas

November 4-12 National Inventions (01-439 0501) The Saudi-British Trado Fair (01-642 7688) Jeddah

Nov 20-22 NIEX International Brussels Travel Seoul Fair (021-705 6707) November 4-7
European Technology Exhibition
—TECHEX (01-584 5749) Milan
November 6-9
Hong Kong Trade Fair—INDUSTRY (0206 45121) Hong Kong
November 9-13
ArabBuild 86 (Bahrain 250033)
Bahrain
November 18-22
The Saudi-British Trado Fair
(01-642 7638)

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International Hotel and Catering:
Trade Fair—HIGATEC (01-493
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Longman Seminars: Tax plan-ning on marriage breakdown (01-242 4111) Barbican

Business and Management Conferences

FT Conferences: The City after the Financial Services Act (01-Hotel Inter-Continental, W1
November 5-6
Club de Bruxelles: The future
of Agricolture in Europe (Brussels 771 9890)
Rrussels
PACRIM '36 (01-240 2881)
Perth, W. Australia 621 1355)

IBC: Third annual advertising November 17-18
Hawkedou Partnership: Tanker
'86 International Conference—
Tomarrow's tankers today (0608
84252) Heathrew Penta and marketing financial services conference (01-236 4080) Royal Lancaster Hotel, W2 November 6-7

November 6-7
BIS Applied Systems: Communicating with OSI (01-633 0866)
Kensington Palacc Hotel
November 9-11 November 19-20
Banking Law Institute: ADRs and other routes to US capital markes (01-937 7211)
London Tafa Hotel Confederation of British Industry: National Conference 1936 (01-379 7400) December 1-2
FT Conferences: World Telecommunications (01-621 1355)
Hotel Inter-Continental W1 Bournemouth International

Conference Centre
November 10-11 November 10-11
FT Conferences: European Business Forum—Italy and the international economy (01-621 1355)
Romo December 3-4
British Venture Capital Associa-tionFT: Venture capital financial forum (01-621 1355)
Hatel Inter-Continental, W1 November 11

December 9-11
FT Conferences: The twelfth
world banking conference (01621 1355)
Hotel Inter-Continental, W1 November 11
The Royal Instituta of Inter-national Affairs: Malaysie as e commercial partner (01-930 2233) Chatham House, SWI

November 12-13
Tennessee Associates: Managing for productivity through quality—the right way to manage (68833 6806)
Churchill Hotel, W1

December 11-12
FT Conferences: World pulp and
paper conference (01-821 1355)
Hotel Inter-Continental, WI Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

December 3-4

Financial Times Conferences

European Business Forum -Italy and the International Economy Rome - November 10 and 11, 1986

\$ 1.

Rome — November 10 and 11, 1986

Possibly the most distinguished panel of speakers the FT bas ever assembled comes together in Rome an November 10 and 11 to participate in this important farum. Italy, European political, economic and business questians and issues affecting Europe and the United States form the agenda. Mr Walter Mondale, Dr Giovanni Agnelli, Ing Carlo de Benedetti, Mr C. J. van der Klugt, Professor Dr Ralf Dahrendorf and Dottoressa Marisa Bellisario are amang the contributors. The Rt Hon Denis Healey, MP, and Dr Guida Carli will chair this topical two-dey meeting which is co-sponsored by L'Espressa and La Repubblica.

World Telecommunications

London - December 1 and 2, 1986

Loudon — December 1 and 2, 1986

The confusing challenges and uncertainties feeing the telecommunications industry and the changing conditions in international markets will be among the key issues to be debated at the Financial Times annual World Telecommunications conference.

In the farum on the US market, the changing pattern of competition and likely future trends in American policy will be reviewed by Morris Tanenbaum, vice-chairman af the baard, AT&T; Paul Henson, chairman, United Telecommunications Inc; and Rabert J. Eckenrode, executive vice-president, Nynex Corporation. Bert Halprin will be speaking giving FCC's view af the future.

New directions in European policy and prospects far closer European collaboration will be examined by Professor Carl Christian van Weizsaecker. Sir George Jeffersan, CBE and Cor Wit, Pierre Suard, chairman and chief executive afficer, Compagnie Generalo d'Electricite, will speak on Futuro European Telecommunications.

World Pulp and Paper Conference London - December 11 and 12, 1986

The internetionalisation of the pulp and paper industry and, with increasingly competitive markets, the impact af rationalisation will be the central themes af the Financial Times seventh Pulp and Paper conference. This 1986 event, to be chaired by John Warlidge and David Clark, will bring together a prestigious pane of speakers including William I. M. Turner Jur, Dr Hartwig Geginat, Erling S. Lorentzen, Fumla Tanaka and Bo Wergens to consider the outlaak for the industry to the 1990s and the changing warld markets.

All enquiries should be addressed to: The Financial Times Conference Organisation Minster House, Arthur Street London EC4R 9AX

Tel: 01-621 1355 (24-hour answering service) Telex: 27347 FTCONF G Cables: FINCONF LONDON Fax: 01-623 8814



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WORLD STOCK MARKETS

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	Composite: 5038.9 3020.6 3022.5 1525.5 1527.2 1625.5 (16/4) 1636.6 (22/1)	WORLD M S. Capital Intl.(1/1/70), — 559,1 524,2 533,0 580,9 (1/8) 249,0 (23/1)	Revenue
3.00	NEW YORK ACTIVE Stocks Closing on Change Stocks Closing on Traded price day	Base values of all Indices era 100 except Brussels SE-1.000. JSE Gold-255.7. JSE Industrial-254.3, and Australia. All Ordinary and Metala-500	Chirteston Electricity willby Offshore oil 2 gas drilling Scope, detergents 2 foods Chewleng gam Third quarter 1986 1986 Third quarter 1985 1985 First quarter 1985-57 1985-68 Third quarter 1985 1985
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NYSE COMPOSITE CLOSING PRICES	AMEX COMPOSITE CLOSING PRICES Closing prices, October 31
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ANTWERP/BRUSSELS/GENT/KORTRUK LEUVEN/LIEGE/LUXEMBOURG Your subscription copy of the FINANCIAL TIMES can be hand-delivered to your office in the centre of any of the cities listed above. to your office in the centre of any of the cities listed above. For details contact: Philippe de Norman. Tel: 02 513 2816. Telex: 64219.	Cridible 28 11 317 36 234 234 234 234 234 234 234 234 234 234

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Changing fortunes for dollar and pound

THE FORTUNES of currencies turned round last week, with a rejuvenated dollar lending a beiping hand to its elderly relative, sterling. The infirm pound also received a tonic from the Middle East, although it is too early to say the extend her made a full recovery. East, although it is no early to say
the patient bas made a ful recovery.
It is not a regular occurrence for
the sacking of nne man to move the
foreign exchanges, but Sheikh
Ahmed Zaki Yamani, Saudi Arabian
Minister of Oil, has been such a towering figure on the world energy scene for so long, that his dismissal caused something of a stir.

Initial confusion on the news from Riyadh, pushed oil prices and ster-ling lower, but when a meeting of

£ IN NEW YORK Previous Close

STERLING INDEX Oct. 31 Previou

am am am am pm pm pm **CURRENCY MOVEMENTS**

-25.1 +4.3 -12.7 +8.9 -6.0 +1.8 +19.0 +20.0 +12.6 -15.8 -53.0 68.4 112.6 77.6 131.9 96.7 89.0 141.3 164.7 129.6 70.3 47.8 206.3 Swiss Franc
Guilder
French Franc
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CURRENCY RATES

rate * 0.720932 1.01039 1.40562 14.7062 43.3557 7.85628 2.03765 6.81506 1444.35 165.5594 140.242 7.11817 1.73382 1.41.424 1.41.625

OTHER CURRENCIES

Oct. 3I 14.02-14.09 5.0200-5.0220 131.02-138.60 7.7970-7.790 77.80-0.2925-0.2930 42.80-42.96 2.6220-2.6250 1.9653-1.9725 3.7495-3.7500 2.1970-2.2000 2.2830-2.2910 4.6510-4.8780 1.6725-1.6735

FORWARD RATES

AGAIN	5	TER	LING		
	Spot	1 mth	3 wits	mths).
US Dollar D-mark Freech Fr. Swes Fr. Yen	9 4425 2.4050	9.4157 2.3898	9.3682 2.3627	9.3129	91

Sterling's fortunes are still very much tied to the oil market. North Sea prices rose from under \$13 a barrel to about \$14.50, and the pound benefitted accordingly.

Until this month the market would have been beginning to think about the approaching UK money supply figures, but because banking makeup day has been changed from the third Wednesday to the end of the month, the October figures will be released oo November 20 instead of November 11.

EXCHANGE CROSS RATES

1.488 0.584

104-104 54-57 87-84 5-51-12-4 47-41 74-74 74-74 43-44 9-91 57-6

9.44-9.481₂ 9.851₂-9.89 2271₄-2301₂ 20-33-20.51

1.3950-1.4090 1.3125-1.3255

1.3880-1.3912 2.3300-2.3495

42.60-43.06 7.713-7.804 2.05-2.07

Beiglan rate is for convertable francs. Financial frant 60.60-60.70.

1.4050-1.4060 1.3215-1.3225 1.3895-1.3905 2.3265-2.3275

2.5265-2.7275 42.90-42.90 7.76-7.76/2 2.05/2-2.06 1514-1514 158-138/2 14214-14224 6.7170-6.7180 7.03-7.03/2 163.35-163.45 1453/2-14.54 1.7100-1.7110

B. Fr. (Fin.)

Oct 31

0.306 0.430 0.500 0.703

3.066 1.204

0.885 1.449

103-105 33-6 84-83-54-53-1-14-41-43-74-73-9-10 74-74-46-46-53-94-53-6

POUND SPOT-FORWARD AGAINST THE POUND

1.4050-1.4060 0.59-0.56c pm 1.9545-1.9555 0.46-0.40c pm 3.261-3.2712 11-11-c pm 10.00-1.0150 20-15c pm 1.00-1.0150 0.15-0.15c pm 1.0640-1.0650 0.15-0.35c db 2.29-2.90 21-13-0.57c db 1.963-0.1999 3-1-13-0.50c db 1.963-0.1999 21-3-1-0-0 db 9.83-9.89 21-11-0-0 db 9.83-9.89 21-11-0 c pm 2.601-2.41 13-13-c pm 2.601-2.41 13-13-c pm

0.59-0.56c pm 0.95-0.80c ten 0.25-0.28c ds 0.08-0.06c pm 4-6 c del 1.75-2.25cm dis 0.22-0.13pl pm 100-140c ds 70-85c dis 70-85c dis 41-55-00c dis 0.80-0.70c dis 1.40-1.55cm dis 0.25-0.22y pm 5-4-90 pm 0.41-0.36 pm

EURO-CURRENCY INTEREST RATES

Changes are for Ecu, the Financial Times.

England support for sterling, but providing the help has not resumed the impact on the market should be negligible. Statistics are also unlikely to pro-

vide any market moving news for the dollar this week. October US unemployment will be announced when the Bank of Japan cut its discount rate seems unlikely.

When the Bank of Japan cut its discount rate seems unlikely.

+1.09 +1.06 -0.55 -0.32 -0.29 +0.63 -1.97

from central rate +0.56 +0.53 -1.08 -0.85 -0.82 +0.10 -2.21

S Fr. N FL

0.735 1 1.203 1.636

114-112 513-52 82-52 52-54 34-34 42-45 72-74 10-102 73-72 42-44 92-10 513-512

2.64 5.28 3.49 1.79 -2.82 -4.61 -2.25 -0.90 -3.55 2.43 6.54 6.54 6.54 7.67

4.90 7.96 -2.29 0.36 -1.39 -1.19 1.19 -0.55 -6.70 -4.20 -8.51 -1.51 -2.51 -2.51 2.69

1.130 14.25

3.463 1.360

2.405 1.711 0.831 10.48

2.547 1

1.230 3.992

EMS EUROPEAN CURRENCY UNIT RATES

YEN

70.18 114.8

2.888 4.725

43 1139 7.81701 2.11083 6.87316 2.37833 0.764976

Exporting Countries pricing committee was called, at Saudi Arabia's intended to lead the way towards an nil price of \$18 a barrel.

The main figures due for publication in the early part of the month would soon follow suit, but the Japanese growth and reduce improving US trade balance and the trade imbalances. He added that move to raise oil prices made deal the US remained committed to ersthink again. Higher oil prices are reducing its budget deficit. regarded as a central element in any rise in world inflation. If US inflatinn begins to rise at a lime when economic activity is picking up the Federal Reserve will be careful not to add fuel to the fire by reducing

interest rates.

These factors gave a very strong undertone to the dollar at the end of last week, after better thao kiichi Miyazawa, Japanese Finance Minister, and Mr James A near record West German Kitchi Miyazawa, Japanese expected economic data.
Finance Minister, and Mr James A near record West German
Baker, US Treasurer Secretary, trade surplus in September sugreached agreement to co-operate gested the US trade defil might
on foreign exchange market be lowards the top of the forecast
issues. Mr Baker welcomed a \$13bn in \$16bn range. But the US

According to Mr Miyazawa the agreement means possible joint intervention to stabilise the market if necessary, and that US nillelals will stop talking the yen up.

LIFFE US TREASURY BOND FUTURES OPTIONS

Stree Prior 93.00 93.25 93.75 94.00 94.25 94.50

Close High 1.3980 1.4010 1.3800 1.3845 1.3630 1.3725

Close 98-03 97-06 96-06 95-07 94-10 93-16 92-24

91-14

91-18

91-01

pared with a revised \$14.03bn in August and \$16bn in July. US leading iodicators in September rose 0.4 per cent, com-pared with forecasts of 0.2 to 0.3 per cent, and factory nrders climbed 3.4 per cent, against expecttions of 3.0 to 3.2 per cent,

By the end of the week dealer were suggesting the US might be forced to cut its discount rate before the end of the year to pre veol the dollar rising to sharply and selling back lbe improvemen in the trade deficit. Such a would have been unthinkable only a week or so agn.

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

High 94.94 94.94 94.83 94.57 94.25

CERT, BEPOSIT (IMM) Sim points of 100%

98-05 97-08 96-08 95-09 94-12 93-18 92-26

94.50

THREE-MONTH EURODOLLAR (IMAE 51m points of 100%

94.81 94.83 94.71 94.47 94.47

Prev. 94.90 94.90 94.76 94.51 94.17

Pres.

94.53

deficit was nnly \$12,56bn, com providing a further boost for the

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the answer is "not enough".

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690.3 0.675 20.81 8706 8.519 252.5 PUS - 0.05 0.40 2.00 5.30 14.60 Dec. 10.35 5.45 1.80 0.35 0.05 0.85 4.60 9.25 14.25 19.25 1.673 1022 1 30.82 5.427 3317 3.245 100 Year LONDON 11 1. 11 2 5 3 6 8 11 8 7 5 2 5 2 3 11 3 12 4 3 4 4 4 7 4 8 4 10 10 5 7 7 7 1 4 2 4 10 4 5 3 6 114-114 511-518 87-814 512-514 34-34 72-8 104-102 74-74 74-74 41-44 93-104 511-518 IMM-STERLING Se per E Dec. 1.3980 1.4010 1.3905 Mar. 1.3800 1.3845 1.3725 June 1.3630 1.3725 — LIFFE—STERLING £25,000 \$ per £ LOW MOTIONAL SHORT SILT ELDI,000 64ths of 100% Long-term Eurodollars: Two years 614-63s per cent; three years 7-74s per cent; four years 712-71s per cent; five years 714-8 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice. HIGH 96-08 Close High Lo Dec 96-10 96-08 96-March 96-12 — Est Volume 213 (157) Previous day's agen Int. 897 (939) CHICAGO Org. March June Sept. Dec. March June Sept. Dec. . March 5.05 2.59 5.58 2.59 2.77 6.39 -4.79 -1.46 0.50 2.45 4.72 180-1.75 pm 130-1.23 pm 144-44 pm 61-52 pm 54-62 pm 64-64 pm 146-82 es 34-108 gs 34-108 gs 44-64 pm 34-74 pm 34-73 pm 37-74 pm 37-74 pm Dec. 88.74 88.76 86.67 March 89.17 89.19 89.12 Jane 89.45 89.52 89.43 Sept. 89.42 89.45 89.40 Dec. 89.17 — March 88.94 — Est Volume 4.055 C3.5761 Previous day's open fet. 14,145 C14.1961 Close High Low Prev. 164.45 165.00 163.70 163.25 167.45 165.00 163.70 163.25 volume 445 (612) lar's opes (no. 2,857) (2,921) Close High Low Bec. 94.12 94.20 94.09 94.01 94.01 94.01 94.01 94.01 94.01 94.01 94.01 94.01 94.01 94.01 94.02 94.0 DOLLAR SPOT-FORWARD AGAINST THE DOLLAR 1,804.75pm 1,804.75pm 0,85-0.90 ds 0,85-0.90 ds 0,87-0.90 ds 13-17ds 1,3-17ds 1,3-17 **CURRENCY FUTURES** FOUND-S (FOREIGN EXCHANGE) Spot 1-min. 3-min. 6-min. 12-min. 1-4055 1-3998 1-3878 1-3715 1-3425

met on a day-to-day basis through Government disbursements, but

these funds were withdrawn early last week to meet end of month commitments by the authorities

commitments by the authorities. Currency swaps were provided to assist market liquidity, but banks struggled to achieve their reserve requirements, and bid call mooey up to 5.50 per cent on Friday from 4.20 per cent at the beginning of the week.

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MONEY MARKETS

Caution follows Japanese rate cut

THERE was little reaction to news the Bank of Japan had cut its dis-count rate by '2 per cent to 3 per cent. The West German Bundesbank central council meets on Thursday, but is not expected to follow the Japanese lead. Steady economic growth and above target money sup-ply growth mean the Bundesbank will probably maintain its present credit policy

Renewed fears about inflation and better US economic figures tend to indicate the US Federal Reserve will be equally reluctant to make a

In London there was no sign of forts pressure for a cut in bank base soft.

UK clearing bank base lending rate 11 per cent since October 15

rates, in spite of the sudden improvement in the pound's fortunes, but there was no further suggestion of another rise.

London money market rates were steady, influenced only by external factors and sterling. The Bank of England had no difficulty in managing the London money market.

ing the London money market, where credit conditions were comfortable, keeping short-term rates

FT LONDON INTERBANK FIXING

(11.00 a.m. Ocs. 31) 3 months U.S. dollars 6 months U.S. dollars bd 5 14 Offer 5 13 BANK OF ENGLAND TREASURY BILL TENDER

	0cs_ 31			1	1 Oct. 24
Bills on offer Total of applications Total allocated Historium accepted bid Allocatem at raintmum leve	£298,4n	E503m	7 np accepted rate of discount Average rate of discount Average yield Average yield Average yield	10.5631	~10.6349^ 10.94%
WEEKLY CHAN	GE IN V	VORLD	INTEREST RATE	S	
	Oct. 31	change		Oct. 31	change
LONDON		Uncird	NEW YORK	712	Unchre
7 day interbank	10%	-1.1	Prime rates	613	-L
3 month interbank	117	-14	3 Mth. Treasury Bills	51) 5.35	-0.05
7 reasury Bui 7 ender	10.5631	~0.0718	6 Mgh. Treasury Bills	5.48	-0.07
Band I Bills	10%	Unch'd	3 M.th. C 0	5.67	-013
Band 2 Brits	1012	Lincira	FRANKFURT		
Band 3 Bills	104	Unch'd	Lombard	5.5	Uncert
Rand 4 Bills	1041	Linch'd	One mth. Interhank	4575	+0 025
3 Mth. 7resury Bill	10t3	5	Three month	9.625	+0.05
1 Men. Bank Bills	104	-2	,	4.023	, -0.05
3 Meh. Bank Bills	104	-4	PARIS		
TOKYD			Intervention Rate	700 74	Unear'd
One months Bilts	_ 1	_	One mth.faterbank	714	Unch'd
Three months Bills	_	_		/16	nacu.e
BRUSSELS	1		MILAN		ł
Due month	~ 7હ ∣	Unch'd	One storet	10%	+,,
Three mouth	7.3	Unch'd	Three manua	114	+
ANSTERDAM	·		OUBLIN		
	53y 54g	-7	One month	131,	l
One month					

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 or 63 days and band 4 bills 64 to 91 days, Rates quoted represent Bank of England bigning or selling rates mith the money market. In other centres rates are generally deposit rates in the domestic money market

Big Bang in the City thiled to dollar leaked back into the domes-generate more business for the dis-count houses, as suppliers of short-absorbed when the central bank did count houses, as suppliers of short-term liquidity. A combination of technical problems involving the London Stock Exchange Topic sys-tem and a general waryness among the new market makers in gilts kept trading all a low level. not fully replace expiring securities repurchase agreements with the banks. Any resulting shortages were

the new market makers in girs kept trading at a low level.

Money market conditions in Frankfurt were more difficult, with the Bundesbank trying to insure the commercial banks would meet their monthly minimum reserve requirements, without giving any indication

of easier credit policy, D-marks sold by the Bundesbank earlier last month, in support of the MONEY RATES

NEW YORK Treasury Bills and Bonds (4 pm) Oct. 31 455.470 74-74 34-34 56-54 5.00-5.50 7,3 2,14 5,4-5,3 4504.65 74-75 31-34 53-54 5.5 7 104-114 8.00 124-124 LONDON MONEY RATES 1212-9 11.4.114 11.104 114.11 117, 107-10% 101-101 10 \$1 - 10 }; 3.75- 3.70

Treasury Bills (sell); one-month 10 [1] per cerd; three-month 10 [2] per cerd: Bank Bills (sell); one-month 10 [2]-10 [3] per cerd; three months 10 [4]-10 [3] per cerd; Treasury Bills; Average undervate did discount 10 5631 g.e. ECGF Fixed Finance Finance Finance Finance Solve Bills; Average undervate did to 10 5631 g.e. ECGF Fixed Finance Houses seven days' mode, mode, others seven days' based. Finance Houses Base Rate 11 per cerd from Househost 1. 19 68. Bank Dopout Rates for some 3 13-4.375 per cerd. Certificates of Tax Deposit Carriers 61. Based 1. 10 6. Bank Dopout Carriers 62. Based 1. 10 6. Bank Dopout Carriers 63. Based 1. 10 6. Bank Dopout Carriers 64. Based 1. 10 6. Bank Dopout Carriers 65. Bank Dopout

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Luxembnurg WestL8 International S.A. 32 34, boulevard Grande Duche Charlotte Lusemhourg, telephone 1352: 44741-43, Telex 1678 Westdeutsche Landesbank, BA Tower. 36th Floor, 12 Harcourt Hoad, Horrg Kong, Telephone (5) 8 42 02 88, Telev 75142 HX

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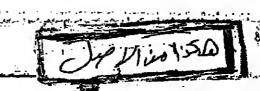
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et Makers

Singapore has survived perhaps its greatest challenge as an independent nation and is emerging from a deep recession with policies set by a younger generation of leadership

New openness prevails

ONE YEAR ago, Singapore was fell by 13 percentage points to in the midst of a spiral of 62.9 per cent. A record of two economic decline that seemed to opposition MPs were elected to challenge the very foundations of nationhood. These foundations were only 20 years old, and they were built on the premise that under the strong leadership of Mr Lee Kuan Yew, Singa-pore's only Prime Minister since independence, and his People's Action Party (PAP), life for Singaporeans would progressively improve.

That ceased to happen last year, after many years of strong advances that had made Singa-pore the second wealthiest nation in Asia after Japan. Not only was progress reversed, but as bad news continued to build on that news, it became in-creasingly apparent that the Government itself had caused much of the problem through gross policy errors.

The Government, evidently, could no longer claim that it knew what was best for Singa-

There was a sinug feeling of self-indication among many who had grown tired of the Government's paternalistic air of superiority. Some of this dissatisfaction had registered a year earlier, in the elections of December 1984, when the hour global financial system, Government was returned to and as the business and finan-

the 77-member parliament.

Hardly the stuff of political crisis by western standards, yet these were clear signs that something was wrong. The smallest waves in Singapore have the capacity to rock what is more accurately described not as a ship, but as a boat of

Singapore is tiny, just 2.6m people, crowded onto an island 41.8 kilometres long and 22.9 kilometres wide. It is over-

By Steven Butler

shadowed by Malaysia to the north, and positively dwarfed by Indonesia, the fifth most populous nation in the world with 155m people, which seems actually to surround it in a broad are from the south. It is Chinese island in a sea of Malays.

Prosperity. growth, and stability are the lifetime of Singapore, the only means to preserve and expand on its role as an international entrepot centre, as a key player in the 24 power with the lowest majority cial capital of Southeast Asia. rits history.

Singupore is 76 per cent
Popular support for the PAP Chinese, and nothing is more

nightmarish than the thought of economic decline leading to a resurgence of the racial ten-sion that rocked the island in

That, of course, did not happen. Today, one year after full bloom, the economy has not yet recovered, even though clear signs have emerged that it has touched bottom and begun the long process of re-building.

Yet Singapore the nation has been buoyed up with a show of the resilience and resourcefulness that for 20 years had made it one of the fastest growing economies in the world.

Perhaps it should have been avecated that the Covernment

expected that the Government that had engineered such fantastic economic growth for so many years would be able to devise policies to take the nation out of recession. It should not be surprising that a pragmatic government—and Mr Lee has always been pragmatic -would be willing to sacrifice any sacred cow that threatened to stop the nation's forward motion.

- Many Singaporeans were startled to learn that the Prime Minister had finally sanctioned cuts in employers contributions to the Central Provident Fund (CPF), a self-financed, mandatory pension scheme for all employees in the island state. The CPF had been a symbol of the



rebuilding the economy

having one of the highest sav-ings rates in the world, and provided a ready stock of funds for building Singapore into the model city for which it has

The Prime Minister, in August 1985, had vowed that the CPF would be the last thing to touch, but six months later this policy was reversed after it was realised that the scheme had boosted labour costs beyond what was internationally competitive and had helped contribute to weakness domestic demand.

The cut in CPF contributions was just one of a range of new policy initiatives designed to pull the nation out of reces-sion, and to provide for long-

More remarkable than the shift in policies, however, is the fact that radical changes have been introduced without any of the old complaints that the Government had acted in a

It had forced Singapore into high-handed manner, without consulting the people of Singa-

> This is because the Govern-ment did, indeed, consult the people in what was probably the most elaborate public debate in the island's state history. Brig-General Lee Hsien Loong, son of the Prime Minister and now Acting Minister for Trade and Industry, headed a highlypublicised Economic Committee that regularly primed the public for what was to come in a series of analytic reports on the economy produced by subcommittees drawn from the public and private sector.

> There was no surprise when, in March, the Government cut the CPF contributions, taking money from every Singa-porean's retirement, nor when it slashed corporate taxes, proposed a two-year wage freeze or introduced a series of measures designed to reward and encourage private business

with the measures so thoroughly aired, they were accepted with just a whimper of public protest because the vocal public understood why they were necessary, however painful they might have been.

The success of the committee. has earned the Prime Minister's son his spurs. He was once seen as something of a lightweight boy wonder whose rapid emerg-ence could only be traced to a fast ride on his father's coat-

This is no longer the case and General Lee is now accepted as an important political player in his own right. Ironically, as General Lee has proven himself, and lation that he might succeed his father directly as Prim Minister has faded away. Mr Goh Chok Tong, the deputy prime minister, is now clearly tipped to become the next prime minister.

for Singapore as a nation, Perhaps the gravest challenge to strike Singapore in its 21-year history, a deep recession that was partly self-induced, has been met by a younger genera-tion of leadership that has

The Prime Minister has stood back and only vaguely endorsed the new directions set for the

are broadly designed to scale back the cost of doing business in Singapore in order to attract more investment, and to pro-mote Singapore as a centre of excellence; as the Government now calls it.

Many of the specific measures recommended in the committee report are now in place.

"If Lee Kuan Yew disappeared tomorrow," says a diplomat, "things would proceed without a flicker."

This is all very reassuring must be a maturing period division of the less, says General Lee, "It's not yet done. I would not say that the recovery is already pre-destined. There must be a maturing period division within the less, says General Lee, "It's not yet done. I would not say that the recovery is already pre-destined. There during which a new tone can be set."

The Government now the workforce to learn more, to look outside for new opportun ties, to work harder, more efficiently, and to turn up for a third shift in order to improve the return on capital for foreign and domestic investors.

The fear is that Singaporeans, already accustomed to a good standard of living, will relax and let the comparative advantage of the nation slip

Complacency would be ex-tremely damaging for Singa-poreans. But if the battle against coasting on its past achievements is lost, this time around, no one is likely to accuse the Government of fail-ing to see what lies ahead and



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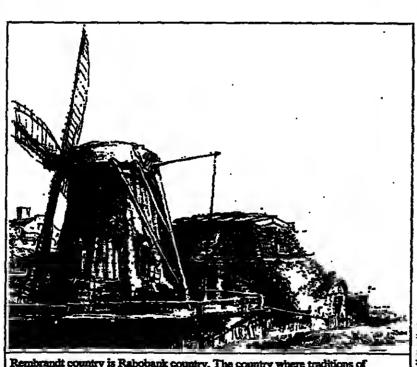
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The pain begins to ease

THE ECONOMY of Singapore has begun to recover. That in itself is a surprise and has meant that this, the deepest recession in Singapore's history, will not be as painful as expected just months earlier.

In late October, Brig-General Lee Hsien Loong, the Acting Trade Minister, reported to the Parliament that the economy recorded positive growth again in the third quarter, according to preliminary figures, and that the economy would register growth of 1 to 2 per cent for the year.

That falls drastically short of the 8 per cent growth that **Domestic Exports By Country/Region**

of the 8 per cent growth that Singapore had accustomed itself

Singapore had accustomed itself to over a 15-year period, but it is a far sight better than the 1.5 per cent decline predicted as late as July.

The recession will mark a clear turning point in Singapore's economic history. The causes of the recession are well understood and quite simple—the cost of doing business in Singapore rose far faster than productivity. a process that

Singapore rose far faster than productivity, a process that grossly priced Singapore out of the international marketplace.

The loss of competitiveness was obscured for several years because of a boom in construction that was based on projections of continued rapid economic expansion. For a time the enomous expansion on moments development created a the enormous expenditures on property development created a self-fulfilling prophecy for the economy as a whole, but the roof crashed down rapidly when property demand evaporated. Property values plunged, construction declined, and demand was rapily sucked out of the economy. out of the economy.

Added to this was a sharp decline, for external reasons, in the oil refining business, which ecounts for one-third of manufacturing output in Singapore, and a decline in shipbuilding, in which Singapore had in-vested heavily.

Although growth has returned to the economy, a revival of the good old days is still years off because of the severe overhang in the property sector. Pro-perty prices seem to be firming up finally, but construction activity has continued to de-cline and to depress aggregate

demant'.
Even when the effects of the recession have passed fully, most observers expect that Singapore will take on more of the characteristics of a mature economy, with good years marked by growth in the 3 to 5 per cent range, not 8 to 9 per

The recession had a wild melodramatic side to it because of the collapse of Pan Electric

803 807 1,876 487 767 458 2,297 7,495 3,773 3,860 8,159 2,058 3,385 1,634 9,706 32,576 Other countries All countries

Gross Domestic Product By Industry

Agriculture and fishing 85 3,345 472 1,463 3,889 2,582 3,682 79 3,101 494 1,254 2,820 3,637 3,778 1,831 Commerce
Transport and communications
Financial and business services 1,830 Total Cource: Department of Statistics.

of Singapore, and the eventual collapse of seven of the 25 broking houses that were members of the exchange.

members of the exchange.

The man responsible for the collapse, Mr Tan Koon Swan, has since been jailed on charges stemming from the misuse of company funds for share buying. Although fraud was involved in the stock market crisis. Mr Tan might have got away with it were it not for the decline in the economy that the decline in the economy that had already sent share prices

Presaging the economic re-covery, and indicating restored confidence in market institulions, share prices recovered martly through the summer. When the causes of the

recession were finally dissected in detail in the report of the Economic Committee, chaired by General Lee, the Parliament moved swiftly in March to put the recommendations of

the report into effect.
Short-term measures were simed at slashing immediately the cost of doing business.
Employers' contributions to the Central Provident Fund, a be needed mandatory peasion scheme The Gov

Industries, which touched off a covering all employees in crisis that led to a 3-day Singapore, were cut from 25 closing of the Stock Exchange per cent of wages to 10 per

didividual taxpayers benefited from an across-the-board rebate of 25 per cent for 1986. Corporate taxes were brought down to 33 per cent. Property tax rebates of 30 per cent were also granted to industrial and commercial properties.

These cost reductions, combined with the decline in rent and other operating costs in

and other operating costs in Singapore, have sharply im-proved Singapore's competitive ness. Even so, this is still not General Lee has said that in

1985 the rate of return on investment in Singapore had fallen to 10 per cent, compared with 18 per cent in the countries among members of the Organisation for Economic Co-opera-tion and Development.

The reductions slashed total business costs in Singapore by

2.3 per cent, raising the return on investment by 16 per cent. To make Singapore truly competitive again, a severe wage freeze proposed by the Government along with continued boosts in productivity will still be needed. The Government has repeat-

edly warned Singaporeans not to mistake the early signs of a recovery by pushing for wages increases. Worries about the competitiveness of Singapore have iromically been intensified by the high-level missions the Government has sent to Europe, North America, and Japan in search of investment.

They have discovered there

North America, and Japan in search of investment.

2400
They have discovered there that Singapore is not elone; it is competing against the whole world for investment deliars.

2435
The economy is also held back from rapid advances by the singapore trades heavily.

"We have suffered a significant drop in our GDP because of our neighbours," says General Lee.

Those economies are unlikely to recover until commodity prices pick up again, which could take years.

The early recovery of the economy is attributable mainly it to amenanced pick ups during the second quarter in electronics, petroleum refining, and serier sing depressed levels, and this has evidently continued into the third quarter.

In the long run, electronics is empected to provide further impetus for growth, but beyond this there is a growing swareness that Singapore's future success is by no means guaranteed.

Singapore has a strategic

Singapore has a strategic hocation, but its small size and the lack of a rural hinterland give it a few natural advantages

give it a few natural advantages while making it extremely dependent on the world.

"If you are not 300 pounds," says General Lee, "you cannot be a sumo wrestier."

Singapore cannot dominate significant sectors of international markets because of the base wick involved. Its deserhuge risk involved. Its dependence on oil refining has already contributed to one

Sha

arreacy contributed to the roller coaster ride.

General Lee says that Singapore now must learn how to ride through the peaks and troughs of the economic cycle, in order to prevent the recurrence of an overheated economy plunging into a protracted recession.

tracted recession.
This means that Singapore is This means that Singapore is going to have to be a little more mature, a bit smarter than the next fellow, one step ahead with a hundred ideas.

This, though, is nothing new for Singapore. It is a nation of immigrants who have lived by their wits for more than a hundred years before Singapore became a nation. Many people are betting that the inventive-

New generation in the wings

WHEN Mr Lee Kuan Yew announced several years ago that he would retire as Prime Minister of Singapore at the age of 65, in 1988, he created an expectation that new leaders would rise gradually to take a more prominent leadership role in the Government.

in the Government.

To some extent this has happened. Best known among the younger generation is the Prime Minister's son, Brigadier General Lee Hislen Loong, who is now acting Minister of Trade

is now acting authors of france and Industry.

General Lee has also taken a prominent role in the ruling People's Action Party by organreope's action raity by of the ising a new youth wing of the party. This is an important effort designed to take on board a generation of Singaporeans effort designed to take on board a generation of Singaporeans who did not know the old Singapore, and who are less likely to be automatically grateful to the PAP for turning Singapore into a modern, prosperous city-state. They are also less likely to accept the "daddy-knows-best" attitude that is the hallmark of PAP leadership.

But the maturation of a younger generation of leadership has hardly eclipsed the old man. Indeed, the Prime Minister has taken att unusually active and public role recently aimed at vanquishing the enemies of the PAP.

He has set about quite openly and forcibly to discredit Mr J. R. Jayaretnam, to convince Singaporeans that Mr Jeyaretnam, the most outspoken of Singapore's two opposition MPs, is a scurrilous fellow, in the words of Mr Lee a "fly by night Politician."

politician."

Chances are that Mr Jeyaretnam will be in jail before long, either from losing an appeal on a conviction of misappropriating funds of his Worker's Party, or as a result of a decision of his fellow MPs to suspend his parliamentary privileges and to punish him for casting public doubt on the independence of the judiciary, and later failing to provide evidence.

This is all rather unseemly. Mr Jeyaretnam is an unworthy

Mr Jeyaretham is an unworthy opponent, a loquacious lawyer who is no match for the Prime Minister's cutting intellect and offers no serious alternative to the Government.

Minister's cutting intellect and offers no serious alternative to the Government.

Yet he stands up to the Prime Minister with the infuriating resilience of a punching bag supporters, "Never mind what and this earned him something of the status of a popular folk hero among Singaporeans, some of whom think that Mr Lee is a bit of a bully. This very niainly, the Government finds intolerable and to be the height of it.



The Prime Minister's son Brigadier General Lee Haien Loong, acting Minister of Trade and Industry, is the best-known among the younger generation of politicians in the ruling People's Action Party which has only two Opposition MPs in Parliament (right) at present

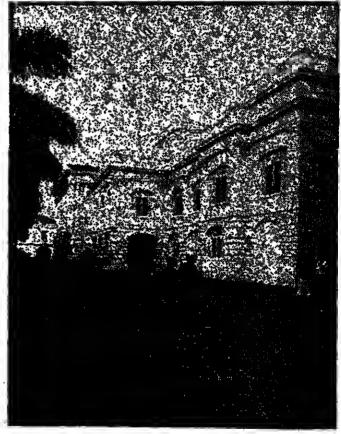
irresponsibility, since it com-pletely overlooks the issues at One theory is that Mr Lee is

One theory is that Mr Lee is preparing to retire by vanquishing his opponents. More likely, this is simply the old Lee—the fighter who rises to a challenge, and does what he thinks needs to be done with little concern for his popularity.

"He enjoys it," says a diplomat.

"You have to make a cold-blooded calculation," says General Lee Raien Loong, and evidently pandering to popular sentiments is not part of that.

The Prime Minister spoke to these issues with extreme frankness at a national day rally in August that was given



"I say without the slightest remorse that we wouldn't be here, we would not have made here, we would not have made the economic progress, if we had not intervened on very personal matters. Who your neighbour is, how you live, the noise you make, how you spit, or what language you use. Had we not done that and done it effectively, we would not be here today."

It is a stark view of the world, but Mr Lee is convinced that in the end the people will vindicate him. Popular government does

"Popular government does not mean you have to be popular when you govern," he said." It means that at the end of your term, whether you choose to run for four years, for five years or full term, you must retain enough popular support to come back and form the next government."

This Mr Lee has always managed to do, but signs are increasing that the PAP may eventually have to deal with more than just two token opposition politicians in Parliament. This presents a dilemma

because the PAP does not believe there is really a legitimate role for opposition.
An opposition can only win if the PAP fails to provide good leadership, says General Lee. And since the Party has provided good leadership, only irresponsible votes could be cast for the opposition.

irresponsible votes could be cast for the opposition.

Many suspect that the prospect of the PAP losing its near ebsolute control over the Parliament because of a large protest — "irresponsible" — vote will make Mr Lee hesitate to retire fully.

"It was fundamental social and cultural changes that brought us here," Mr Lee said in August. "And now the most difficult part is how to manage the strong system. It's not simply just to govern them. To govern is simple, but to let the second generation govern, it is very difficult, it's very delicate. Because if it goes awrong, I'm still responsible, If the ball is shot into the goal, wrong. I'm still responsible. If the ball is shot into the goal, I'm the goal eeper."

Steven Butler

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MINE SE

Manufacturing

Electronics heads the revival

MHETHER OR not Prime Minister Lee Kuan Yew achieves his ambition to turn Singapore into an international centre for finance, business and information, manufacturing is certain to remain a crucial component in the island component in the first quarter. The real growth came in the first 10 years. The real growth came in the first 10 years. The real growth came in the first 10 years. The real growth came in the first 10 years. The real growth came in the first 10 years. The foreign exchange earnings still come from the export of manufacturing output grew a mic and political stability, its mic and political stab

Manufacturing investment commitments

First quarter
Second quarter
Third quarter

Second quarter

Third quarter

First quarter Second quarter

Third quarter

come from the export of manufactured products and, as the report of the economic committee headed by Brig Lee Hsien Loong points out, service industries cannot plausibly expand sufficiently to replace this, either in terms of revenue or in employment.

It is fortunate, then, that the sector is getting into its stride again with surprising

stride again with surprising turing bave substantial produc-

1985

better example than that set by Seagate Technology of the US. the world's leading producer of micro disk drives. From a metro disk drives. From a small sub-assembly unit employing 50 people just four years ago, Seagate has expanded to become the republic's biggest employer and is planning to increase its local workforce of 6.000 by a further 1,000 before the end of the year.

Mr Alan Shugart, Seagate's chairman and a computer

chairman and a computer industry veteran with 30 years of design experience, says: "We made our big decision in 1984 to move everything to Singapore. Sometimes I think wa are more like a Singapore com-peny doing a little bit of R & D in the US."

tions from the US and plans over the next 18 months to complete its first local piece of product development—a compact disc read-only memory (CD ROM) which it claims will have 10 times the storage capacity of a conventional floppy disk. Seagate, in common with favourite.

Seagate, in common with other high-technology enterprises in Singapore, has emerged quickly and relatively painlessly from the recession. Electronics industry output suffered a comparatively mild contraction of 5.6 per cent last year against 1985 and began to regain pace rapidly from that beginning of this year.

The recent US-Japan accord on semiconductors has cast a shadow over tha chip industry Until the full implications of the US-Japan anti-dumping accord become clear, the main

shadow over the chip industry in Singapore but Fujitsu and MEC, which have production facilities there, say they have no intention at present of deferring expansion plans. In Fujitsu's case these involve expenditure of \$\$40m. (US\$18.6m) in two stages on a plant to turn out the 256-kilobit dynamic random access memory (DRam) chips which memory (DRam) chips which dominate the market. NEC has already been driven

by the strength of the yen to transfer some of its production from Japan to its Ang Mo Kio plant in Singapore, and plans to expand its monthly output of chips locally from 300,000 to 1m.

semiconductor factor, which by the time it is built is likely to be producing the more advanced 1-megabit DRam which is set to replace the 256kilobit chip as the industry's

brake on expansion in Singapore's electronics industry is staff shortage. Government wage restraint policies have made recruitment difficult even in industrious Singapore an unemployed worker used to monthly pay of \$\$700 is reluc-tant to accept the \$\$400 norm electronics production line

Down at the shipyards the problems are of a different nature, and some painful surgery will be needed before the chronic imbalance between capacity and demand is corrected. Since the peak year of 1981 when the three marine industry sectors of shipbuilding rig building and shiprepair together produced revenue of S\$2.4bn, an eightfold increase in 10 years—the first two acti-vities have virtually ceased.

Falling prices and oversupply in the world oil market from 1983 meant a sharp cutback in exploration and hence demand



Mr Dick Van Hilten, chair-man of Shell's Singapore operation: overcapacity unlikely to go away

for new rigs and tankers. But Singapore started off as a ship-repair rather than shipbuilding centre so in a sense tha industry has come full circle.

Now, paradoxically, the low level of oil prices has led to an element of stockpiling by speculators and a demand for redundant supertankers to be redundant supertankers to be converted for storage parposes. Profit margins ou this and other shiprepair work will remain razor thin, though, until Singapore's dry dock capacity of more than 2m dwt is cut down to size.

The overcapacity problem is unlikely to go away. Mr Dick wan Hilten, chairman of Shell's Singapore operation, told September's Financial Times conference on the Pacific Basin conference on the Pacific Basin conference on the Pacific Basin conference on the pacific balled.

A report by US management oil and gas industry: "In 1987 consultants McKinsey and Co., recommending a merger of the two biggest shippards, the Saudi Arabia) coming on government controlled keppel stream and some minor experience also where in the and Sembawang, coupled with the closure of most of Keppel's

facilities, was rejected last year. Instead the two yards, in concert with Jurong shipyard, in which the Government holds a 43 per cent stake, and the privately-owned Hitachi Zosen Robin yard, agreed to limit work to 20 days a month per dock so that the limited bustness available would be evenly

In addition, Keppel is to cut its own dry dock capacity by 45 per cent with the closure of its historic Main Yard and concentration of operations at the more modern Tuas facility. The island's five oil refineries operated by Excon, Royal Dutch-Shell, BP, Mobil and the state-controlled Singspore Petroleum Refining Company— have been surprisingly busy, though with precious little in the way of profit to show for

Capacity utilisation has been kept up largely by "surrogate refining" — processing crude for independent foreign producers, including China and Iran, seeking to move into tha market for oil products, whose prices have held up marginally better than that of basic oil. Still, the five refinerer ran at only 62 per cent of capacity last year, a figure which would have been lower had not a number of facilities been moth

refinery loading will continue to drop in 1987 and only in 1988 begin to rise gradually again.

ne said. It was unfortunate that establishment of Singapore's S\$2bn petrochemicals complex on the island of Pulsu Ayer Merbau in 1984 coincided with market, and the plant has yet to make money. Losses rose from \$\$33m in the first year to \$\$66m in 1985, but are expected to be slightly lower this year. A continuing bright spot in manufacturing is Singapore's increasing importance in the region as a centre for the aerospace industry. Revenue from aircraft maintenance and related manufacturing operations grew last year from \$\$519m to \$\$669m. According to the Bronomic Development Board, growth is expected to

cent a year up to 1995. Aircraft maintenance opera-tions are particularly well placed and a clutch of foreign companies has set up in Singa-pore, attracted by one of tha world's finest airports, the growing volume of regional air traffic and local labour costs.

The government-owned Singa-pore Technology Corporation is an umbrelia organisation under which the republic's military equipment makers are grouped. As well as manufacturing a wide range of ammunition, companies within the group produce locally-designed small arms, including a light machine gun, and are able to maintain and refurbish tanks, personnel carriers and other military vehicles.

Roger Beale

Trade and Investment

Sharper edge to competitiveness

MEASURES TAKEN by the cent off international communi-Singapore Government to bring as quickly as possible an end singapore Authority making to the recession in its external cuts in warehousing and hand-economy have covered a broad sweep this year—a wage freeze, tax cuts, and special incentive from the Housing and Develop-ment Board for industrial land schemes most prominent among them. But one crucial factor in effecting a potential turn-round in trade and direct investment has come from out-in addition, case-by-case investment. inder in the form of the steep climb against world tairrencies of the Japanese year.

While the Singapore dollar has remained flat to weaker

against its US counterpart over the past year (it was LS percent lower year on year in September) the yen has appreciated by close to 50 per cent. The island state, along with other newly industrialised Asian countries, has as a result gained in attraction as a place for Tapan's private sector to

gained in attraction as a place for Japan's private sector to locate production capacity. In theory at least, this has washed away the negative im-pact of a higher wages struc-ture inherited from earlier years. Not only can Japanese industry now produce more cheaply in Singapore than before, but the island's home. grown output scores a competitive edge over Japan in regional and international markets.

whatever the source, something is coming right. Exports of visible goods turned positive again in July for the first time since the recession set in last year, up 3.9 per cent over the

year, the month of 1985.

This has not been achieved without cost, however. July prices for exports were, for the foorth month running, falling more steeply than import prices. These showed a 14.5 per cost fall compared with a year carlier, but trailed the downward drift in export price indicates by a margin which had widened to 5 percentage points, in crude tesins, it could be confined that Singapore has been discounting more than its tradseconding more than its trad-seconding more than its trad-g partners have done. Cost competitiveness is the

Cost compenies on concorn Government's prime concorn fig the export sector, on which singapore heavily depends. This in turn depends largely be creating the right operating convernment for foreign busiof trade in goods not

hing Singapore account for trading revenue, although these re-exports have been slowing markedly amid sethacks in prices for the primary commodities such as rubber and palm oil, which this business largely involves. In addition, less than a third of ddition, less than a third of provided by indigenous manufacturers: the rest comes from the output of multinationals which have production sub-

one fereign banker closely involved in trade finances says: The cost of just being here has come down substantially in the past two years. The official incentives have come over and above that. Another observes:
"Singapore, unlike Japan or Australia, has low domestic de-Australia, has low domests domand, therefore it must trade. For that you need infrastructure and people, all at the right price. That is happening again."

Apart from general reductions in labour costs and taxes, authorities. the island's service authorities have driven a combine har.

ment Board for industrial land lessees to list just three.

ment incentives have been stepped up, ranging to full ex-emption from corporate tax for up to ten years for approved "pioneer status" industries.

All this will produce, in the stimate of Brigadier General Lee Hsien Loong, Acting Minister for Trade and Industry, a gross return on manufacturing investment of 16 per cent for the current year. Although the figure is a sharp improvement from the 10 per cent recorded in 1985, he says. This is equivalent now to OECD levels. It needs to be higher."

The moves provide the cli-mate for increased direct investment from abroad, but on the whole they stop short of providing the specific facilities. A visiting senior executive from Sony recently criticised, the lack of support technology for electronics, and a western banker comments: "The Gov-ernment thought it could have a Silicon Valley here, but things like a science park, university input, and a nuclear accelerator are all lacking.

Mr Shigeki Mutob, Singapore general manager of Mitsui and Co., the giant Japanese trading house, agrees, although be questions more the low level of local private sector involvement. The procedure of the proced

questions more the low level of local private sector involvement. "It is peculiar. I don't understand wby Singaporeans do not invest in their manufacturing sector. It is always property instead."

Mitsul, which has had a Singapore presence for 95 years, is concentrating on expanding its offshore business, which already accounts for 70 percent of turnover through the company's local office.

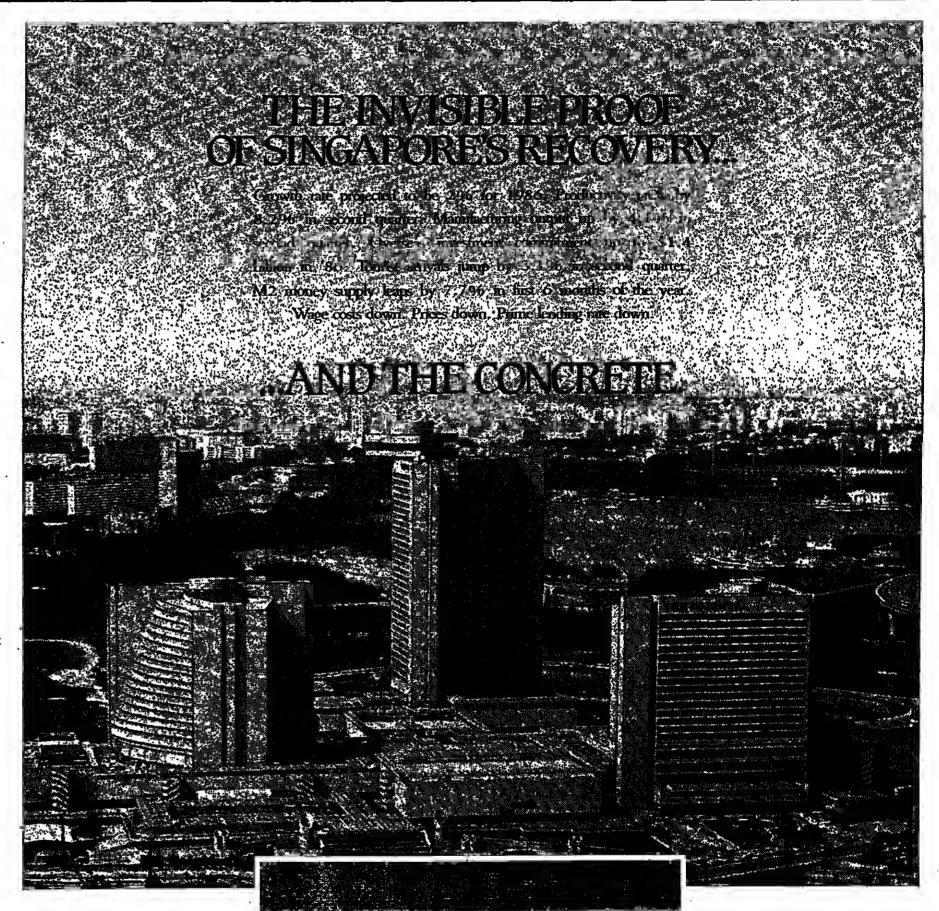
Although Pacific commodity trading as its main concern, Mitsul acts as the conduct for major import orders from Singapore public and private sector contractors. Notably, it has grouped Japanese heavy engi-

seering companies in a Y60br venture to supply the entire rolling stock for the island's planned Mass Rapid Transit metro project.

Electronics, an industry set on its feet by Texas Instruments in 1968, is still attracting investment-Matsushita, for example opened a new precision motors opened a new precision motors plant in August and may boost its existing \$\$240m commitment by a further \$\$100m. But the sense among industry analysis is that Singapore continues to lose potential Japanese investment both to the US West coast and in the Invertwage Asian and to the lower-wage Asim

The government regards the key growth area for the future as services. The category is a catchell for industries from transport to banking, but taken together forme ground a quarter Singapore's total foreign exchange earnings. General Lee argues that Singapore has a natural advantage in the region because of its educated, Englishspeaking workforce, and that the solution lies largely in marketing on an international

Gordon Cramb



Marina Square is the largest shopping, hotel and entertainment centre in S.E. Asia.

It opens on December 1st.

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Tokyu Hotels International has already opened the doors of The Pan Pacific. Mandarin Singapore International will be welcoming the first guests to the Marina Mandarin on January 14th.

Mandarin Oriental Hotels will be having its opening day for The Oriental Singapore on February 26th.

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1986 is seeing the beginning of Singapore's recovery... it's no-coincidence it will also see the opening of Marina Square.



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Finance

Smoothing gaps and impediments

IT IS probably a good thing open to them at home.

Simex is part of a financial months since its publication, sector which is a large and growing proportion of the change (Simex), could barely make berself heard when addressing dealers on its trading floor last month. Not that what she was saying was

that what she was saying was unpalatable: the reverse, she was launching a US Treasury bond futures contract, the seventh to join the now two-year-old market.

But the persistence of the outcry from its pits indicates a vigour which is reflected in volume which has quadrupled since the end of its first operating quarter, and a membership which includes both locals and, significantly, 19 January 19 Januar

membership which includes financial centre envisaged in the market, established in 1968, has both locals and, significantly, 10-Year Plan." It went on to grown at a compounded rate of 19 Japanese institutions, there outline gaps and impediments, 65 per cent or more a year. to do business which is not some of which have already Even in 1985, when the domestic

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CONTO TO THE OF A CHARLES OF

Singulations

Foreign banks are in Singa-pore primarily because of the offshore Asian dollar market. In a bank dealing room of, say, 50 people, around 35 are likely to be foreign exchange specialists, and their skills remain at a premium. The Asian dollar market, established in 1968, has

In other areas, activizes of the 123 foreign banks remain constrained by a protective official attitude towards the local institutions, particularly in retail banking. They are on the whole prevented from opening whole prevented from opening branches as demographic shifts open up new areas of the island. They complain of being excluded from new technology services such as automated teller machines away from bank

cance. Corporate lending has meanwhile begun to contract despite interest rates which are at historic lows, and one analyst describes their returns there as "just lousy at the moment."

Nor are the local banks have Malaysis, where an increasing a good year, and earnings ingly littery financial sector is are expected to show little if both reflecting and compoundany recovery after the aggreing that country's economic and gate 26.4 per cent setbacks in political ills. Although a net profits for 1935. Although a witching of some funds out of it is generally held that the domestic Malaysian institutions, worst is over, they remain which is believed to have taken

bated by a more cautious lend- as other foreign banks been awards ing policy which the banks operating there, the island's big ship licence.

economy entered its decline, the themselves have felt obliged to market expanded by 21.3 per impose. An upture of any magnet to carry a total worth of nitude is not thought likely US\$155bn.

cess, to counter this by cutting deposit rates earlier and relabuildings, point-of-sale funds tively more steeply than they transfer, and home banking.

By default, therefore, whole-sale business such as trade finance has grown in significance. Comporate lending has ing a two-year decline. This allows them to be traced to be the sale of the comporate lending has allowed the property of the comporate lending has allowed them. allows them to borrow less in the interbank market, which is more costly and which is dominated by the powerful Moretary Authority of Singapore (MAS) as the main net supplier.

under pressure in a few key place in recent weeks, is likely areas:

• Weak loan demand, exacering the bated by a more cautious lend
bated by a more cautiou

Simes provides the means for . The downturn in property the face of deregulation risk management through a values, a sector which represents. The role is described as a "Switzerland of Asia" consistently the most active. The role is described as although the Simex people prefer a Chicago/New York analogy, pointing to Tokyo.

Foreign banks are in Singanore primarily headness of the singanore primarily the most active. Of total logn portfolios. Provisions have been regarded as adequate, but property is also primarily the most active.

Foreign banks are in Singanore primarily headness of the means for values, a sector which represent through a sector which is sents an estimated 18 per cent of total logn portfolios. Provisions have been regarded as adequate, but property is also of total logn portfolios. Provisions have been regarded as adequate, but property is also of total logn portfolios. Provisions have been regarded as adequate, but property is also of total logn portfolios. erosion of prices next year would leave loans uncovered. There are signs of a pick-up on the residential side, and some argue that the Government is too large a property owner it-self to allow a major bankruptcy

Trading in sterling financial futures has started on the Singapore International Monetary Exchange as part of a widening network of financial dealings

posed to Malaysia

self to allow a major bankrupicy in the sector.

O A squeeze on interest margins caused by competition for example, is reckoned by one broker to have as much as 30 per cent of its portfolio in Malaysian loans, while its finance company substitute that the portfolio in Malaysian loans, while its finance company substitute that the portfolio in Malaysian loans, while its finance company substitute that the portfolio in Malaysian loans, while its finance company substitute that the portfolio in Malaysian loans, while its finance company substitute that the portfolio in Malaysian loans, and the portfolio in Malaysian loans, while its finance company substitute that the portfolio in Malaysian loans, and the port sidiary there has been a loss-

> But the big four, which together had total assets at end-1985 of S\$63.2bm, have been discovering areas of oppor-tunity as well. Notable among these in the past year are their stockbroking operations, taken ou as a result of the collapse late last year of several securities firms during the exchange's forward contracts crisis. Good commission revenues are ex-pected, despite start-up costs of which a \$33.8m outlay each on an exchange seat was just one

Something similar is hoped for—and in more auspicious circumstances — from the planned government bond market to be launched ou March 2. The four have each been awarded a primary dealer-ship licence.

maturities will set a pricing benchmark which is fixed-rate benchmark which is incorate and risk-free, in order that a corporate market can evolve from it. The MAS has been stressing its wish for a market-driven structure, and private sector banks have been closely involved in its planning which

Indeed, the MAS has, by all rival exchanges in Hong Kong accounts, this year been adopting a more accommodative attitude to innovation within the banking sector, in contrast to banking sector, in contrast to its higher profile in the previously less than rigorously. regulated stock market, and in entirely into a policing func-tion as Singapore's financial product range broadens.

Fund management is one target area, after the lifting in the 1986 budget of tax and other disincentives. Liability for tax both on trading income and on capital gains has been

The motivation is not so much to provide the state with shore nature of the market by funds, of which it has little need, but to deepen the local markets. An early spate of government issues of varying of discretionary funds under management in Hong Kong.

management in Hong Kong. Simex, which has pursued an international strategy from the outset, is due meanwhile to introduce its first home-grown product early next year. This will be a Singapore stock index futures contract, comparable with those which have provided

traders on Simex. But its significance lies more in that it regulated stock market, and in was preceded, from September, recognition that its develop-mental role should not wither Tokyo Stock Exchange's Nikkei index. According to Mrs Sam, "Our domestic economy is small: therefore our contracts are international. It is a neat niche approach which is set to be echoed elsewhere in the are international." Singapore financial sector.

Gordon Cramb

Stock exchange

Back in international favour

Local and foreign buying has sustained a raily of surprising vigour, and interest from abroad has been such that overseas broking houses are known to have been exploring the possible purchase of seats on the Stock Exchange of Singa-

But it is not only the memory that remains. The collapse at Electric Industries, the marine salvage and property concern which was one of the market's counted communies brought with it revelations of a tangle of forward share contracts, a three-day suspension of trading on the exchange, the demise as independent entities of several local stockbroking firms, and a sense that the Singapore market suddenly had a lot of maturing to do before it could regain international

It has done so, again to an unexpected extent. Restoring the market to its upward path has, however, meant roping it in with regulatory constraints previously thought unnecessary. Next time, the climber might not fall so far, but room to manoeuvre has been the cost.

THE TWO-YEAR peaks attained the market has been changed disclosure clauses is acknown them. In particular, three governments Times industrial in three key respects in the ledged by a director of one of indistives are index in recent weeks have, on first appearances, left the market's Pan-Electric debacle of market's Pan-Electric debacle of limitatives are the stronger local securities under way, aimed equally at houses: "Singapore has very hoosting investment consciousments ago way below at equity dealings under closer the stronger local securities."

The good standing of the stronger local securities under way, aimed equally at houses: "Singapore has very hoosting investment conscious ness among Singaporeans, promoting the island as a world financial centre—and, along the stronger local securities." equity dealings under closer scrutiny than ever. Its brief was always wide enough to have included the stock market; but it was blamed, with hindsight, for not having appreciated sufficiently the secondary bank-

ing role which local brokers had come to adopt — where their own creditworthiness was used to fund share purchases by oustomers. The big four domestic banks exchange committee as part of a new found broking function which is supping the client base of those local brokers which

had survived the initial shakement Bank of Singapore, the largest, has been identified as making a sheable retail push, while all to varying extents are attracting much of the business placed through foreign institu-

• The Securities Industries Act - which existed in outline draft before the Pan-Electric crisis, but which was brought forward as a result — has been designed to protect smaller investors. Brokers find its provisions irasome; but, others brokers would, The

The good standing of the larger companies quoted on the Singapore exchange is unimpaired in the eyes of international investors, despite price/earnings ratios, that are touching 30 as the effects on profits of a more singapore. profits of a more sluggish domestic economy filter domestic economy filter through. On a busy day, more than half the dealings in stocks such as Singapore International among players abroad.

This is both good and bad news for the local market, at 1 per cent (local institutions get a 1 point rebate) and foreign firms have so far been unable to gain seats, although up to a dozen have enquired.

On the one hand, it means that more deals are being crossed away from its floor, eroding both commissions and control. On the other, the activity overseas reflects inter-national entinusiasm for quality Singapore and Malaysian quoted stocks of an extent that should ensure a ready market

for excess paper. Moves are being made to broaden the Singapore market, both in the scope of its listings financial centre - and, along the way, reducing the state role

First, Central Provident Fund. accounts—the state savings which are mandatory for Singapore income earners— bave been partially freed, to allow withdrawals in order to purchase equities. The scheme, introduced in May, has had a less than frenetic initial take-up: showed 8,000 participants in all, and an investment inflow into the market of S\$84.7m. From this month, though the available amount is to be doubled.

Individuals can draw from their accounts to buy shares in a list of approved companies, largely blue chips. The Govern-ment needs to ensure that voters fingers do not too often get burnt, and speculation is not being encouraged. Instead, the list is expected to be widened next year by the inclu-

sion of unit trusts.

Second, privatisation will account for the bulk of new issues coming to the market, sustaining a page set by the successful SIA flotation. New issue volumes have not been large in Singapore, although rights issues by existing quoted companies are thought likely



their S\$1.1bn-to-S\$1.2bn average weight of paper overhanging etio

The third area of expansion is an unbisted securities market entrepreneurship. The Govern nt, however, plans to launch some of its smaller operations there as a way of getting the market on its feet.

The market, to be called SESDAQ (Stock Exchange of Singapore Dealing and Automated Quotation System) will have few peers technologically—it has been planned as an electronic, no-scrip operation. But foreign brokers see poten-tial dangers in the single marketmakers that are expected to emerge for some stocks least, hindering the ability sell a holding.

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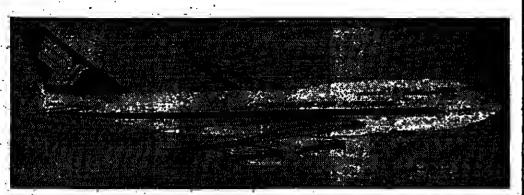
Chentred des gh. ir estants or it spren

There are similarities not only in the rhetoric but in the candidates for privatisation— the flag carrier airline, telecom the flag carrier airline, telecom-munications, the ports—which are on the whole service indus-tries with a high visibility and often a large consumer base. Differences clearly exist both in the priorities for sell offs to the public and in the means in which they are carried out. As

which they are carried out. As far as ends are concerned, though, the Singapore version is not as closely tied to funding tax cuts, and one financial analyst comments: "They have not really warked." not really worked out yet whatnot really worked out yet what they mean by privatisation and what they want to achieve." What is apparent on the part of the Singapore Government, which has in the past played a large development role in set-ting-up industries where the island had no inherited experi-ence, is a desire now to take

ence, is a desire now to take more of a back seat. Special cases will still be made in the cases will still be made—in the defence sector, say—but the message is out to state com-panies that they should expect in future to divest rather than

The Government's Economic Committee, which in February publishes its wide-ranging report on areas proposed for reform or expansion, stopped short of issuing a full list or investible for revisionisms. short of issuing a full list or timetable for privatisation, al-though it did identify a few key targets. Brig General Lee Hsien Loong, the Prime Manisters son who was its chairman, appears to place less stress on owner-ship structure than he does on an internationally-minded approach. "Whether middle or



A B747-SUD (Stretched Upper Deck) of the Singapore Airlines: the S\$500m share issue is the centreplece so far of asset sales

its operations," he says. A smaller, more manageable col-lection of state enterprises would be more likely to facili-tate this, away from the respon-sibility of being the nation's main economic engine.

The centrepiece of asset sales so far is Singapore Airlines, floated off in a S\$500m share floated off in a \$\$500m share issue during a very rocky time for the local stock market. The airline remains 63 per cent government-owned, but foreign investors now bold 20 per cent and Singaporeans, including SIA employees, the remainder. All have done well—the shares, after an initial downtum, are now trading at close to double their issue value.

The size of SIA relative to private sector quoted companies made it immediately market leader on the Stock Exchange of Singapore. This in itself is an indicator of the lack of large corporate entities outside the government umbrella.

Despite the fact that foreigners can legally buy, on aggregate, no more than the fifth of SIA which they already hold, on many days business in its shares abroad is more active than that done domestically— rather muting the intention of the authorities that the local equity market gains financial solidity as a result of such flota-

on an internationally-minded approach. "Whether public or tions. Singapore's tions, they ought still stands for the sector, they ought still stands for the sector to find renewed because, its modern fleet and income growth, he says.

General Lee, now acting saide, it already had about a more for the sector trade and industry, fifth of its equity in the hands hints at an additional advantage of its staff, and these were of a reduced state role. "We shares which eventually needed should try to get our public a market. This is not generally sector more counter-cyclical in true among Singapore state bank advisers have already

companies. Viewed differently, therefore, there is not as ready a case to be made for floating those which have been men-tioned as likely to follow it. This is one reason to explain a lull since the SIA launch. The period has been punctured on a

few occasions by smaller sales from the portfolio of Temasek, the state investment holding company. In the past few months it has shed minority parcels of stock in United In-dustrial Corporation and in National Iron and Steel, both of which alreedy had market list-

These sales must, however, fail only on the fringes of privatisation in the full Thatcherite sense. They were sold not to proud Singaporeans but as blocks onto the London market, largely through Hong Kong offices of UK brokers.

In this way, at least, the Gov-ernment can maximise returns, selling close to market price and perhaps towards the top of a run-up in prices without the need to provide a cushion for first-time individual investors

likely to be, curiously, a com-pany with no business record and which at the time of launch may still be without tangible operations. Singapore's

ties indicate that as much as 75 per cent or more may be on offer in the MRT operator—the land, rolling stock and other fixed assets will stay in state hands, provided to the company at minimum or zero

The Government may not even retain a so-called golder share to ensure control. It is pointed out that Singapore Bus Services is an entirley private sector company, running one of the world's largest fleets with only an annual becence from the Ministry of Transport as a sanction to influence decisions such as fare structures.

It is acknowledged, though that the earlier a flotation comes, the more problematic its terms will be, both for the Government to resolve and for potential investors to evaluate The pace at which it is proceed ing reflects the enthusiasm largely of Mr Michael Fam, chairman of the MRT company, as well as of the Public Sector Assets Disposal Committee which has a far wider brief.

Mr Fam'e committee has also been examining Telecoms, the The next main disposal is telephone network operator; ikely to be, curiously, a comany with no business record rity; and Changi airport, among others. All are now run by statutory boards of civil servants, who are on the whole well regarded. This does not mean they are free of obstruc-tive bureaucracy, but rather that time is likely to be taken open until 1988, yet one proposal under serious consideration involves floating the MRT company in advance of that next year.

Next year. functions which the state would

Gordon Cramb

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Copyright Pirates

Action against offenders stepped up

Singapore's pirates. Not the maritime variety, but those who until now have sailed virtually unhindered through the laws of copyright to hijack the words, pictures, music and ideas of others for their own

not inconsiderable profit. This year the island is expected to produce some 20m pirate music cassette tapes, at a theoretical cost in revenue to legitimate manufacturers of about US\$100m. This is a disthat improvement though on the peak year of 1981, when Singapore's pirates are said to have exported a staggering 126m tapes.

then, police have since then police have stepped up action against the offenders. More than 49,000 phate tapes were seized in police raids which averaged two a week over the first eight months of last year. This comes with seizures of 23,000 in 1984, 156,000 in 1983 and a numper 400,980 in 1982.

The beginning of the end for the beginning of the end for become law before the end of the interest of the property of British publishers of British publishers the proposed new law stiffens the case established that the beneated the beneate

though it had been replaced by

Shortly after the court de-cision, early last year, Mr E. W. Barker, Law Minister, announced that the Government was working on a new copyright law more relevant to a tech-nologically advanced society. Underlining the Government's determination to deal effectively with copyright piracy, he said that fintellectual endeavours must be adequately safeguarded to encourage creativity.

In fact a parliamentary committee had been formed as early as 1980 to look at the possibilities of revising the 1911 Act, which had been supple-Act, which had been supplemented by the 1914 Copyright
Act and the Copyright (Gramophone Records and Government
Broadcasting) Act of 1968. A
draft Bill, based on the
Australian copyright legislation of 1968, is scheduled to

fines of S\$10,000 for each infringement, meaning each copy of pirated material, up to a aximum of \$\$100,000, or five years in jail.

Copyright holders have recourse under Singapore law to both criminal and civil action and the Government plans to set up a copyright tribunal to decide on the remuneration payable under statutory licences. Foreign works will be pro-tected by bilateral awangements and under international copy-right conventions of which the

epublic is a member. The need for an overhaul of the copyright laws was given an added urgency by two factors which meant that the advantages of the country's relatively free and easy attitude to the subject were suddenly out-weighed beavily by the

disadvantages.
First, it became apparent that Singapore's aspirations to become a regional focus for dio of 1968, is scheduled to eginning of the end for he end for he ship proadened to make the proposed new law stiffens and computer software, and computer software makers, keen to set up business in Singapore bookseller. The proposed new law stiffens the proposed new law stiffens software makers, keen to set up business in Singapore, were considerably. At present pirates the proposed in face maximum fines of \$\$1,000 to the time, and the UK or or a year's imprisonment for a high technology sectors—a "brain services centre"—were increasingly under threat software makers, keen to set up business in Singapore, were software makers, keen to set up business in Singapore, were worried about protection for the copyright on their products, in the UK or or a year's imprisonment for a practice, fines in the UK or or a year's imprisonment for a practice, fines in the UK or or a year's imprisonment for a practice, fines in the UK or or a year's imprisonment for a practice, fines in the UK or or a year's imprisonment for a practice, fines in the UK or or a year's imprisonment for a practice, fines in the UK or or a seed of the time, second offence. In practice, fines in the UK or or a seed of the time, the proposed new law stiffens th

until the law was reinforced. Microsoft, one of the largest US software makers, anticipated the new law and appointed an agent in Singapore earlier this year. By October Mr Rick Tsang, the company's manager for Asian area sales, was complaining that an estimated 90 per cent of Microsoft software packages sold in Singapore and Malaysia were pirated

IBM, the world's bigges computer group, took cour action earlier this year, wimmin six Singapore companies which

up the copyright law is the danger that continued pirate activity could jeopardise Singapore's status es a favoure trading partner under the US Generalised System of Preferences (GSP), which is currently being reviewed.

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New laws tighten controls

THE Singapore Government's view of the role of the press in its particular brand of democracy is straightforward and unequivocal. According to Mr Sinnathamby Rajaratnam, a senior minister in the Prime Minister's office: "We see freedom of tha press not as the and but as means to an allembracing end — the integrity and andependence of our country; its eccunity, its prosperity; the eradication of anything that would sow seeds of social, radial and religious conflicts."

It was to encourage adher-ence to these worthy objectives among the international press emong the international press
that the Government passed new
laws early in August enabling
it to penalise foreign publications caught "engaging in the
domestic politics of Singapore."
The wide range of activities
which this wording might conceivably cover earned the
Government rare criticism from
the Law Society of Singapore.
Mr Francis T. Seow, its president, said thet such ill-defined
legislation would result in
"subjective interpretation and
implementation."

Stronger criticism came privately from diplomats, who saw the new law as a brazen attempt to stifle criticism of the Lee Ruan Yew Administration at a time of economic difficulty and, for the first time in decades, growing dissent among the electorate. Many also felt that the apparent desire by the Government to control the press sat uncomfortably with its avowed ambition to make Singapore a centre of communications and information exchange for the whole of South East Asia.

The country has long sought to encourage foreign newspapers and magazines to set up satellite printing plants, and those printed there aiready include the International Herald Tribune, the Asian Wall Street Journal, the Economist, Time and USA Today.

The Government was quick to point out, though, that the purpose of the new law is not to prevent Singaporeans reading what foreign newspapers say about their country, but simply to stop publications benefiting financially, by using distribution any unauthorised publication.

It was initially prompted by the Government's desire to curb what Mr Rajaratnam described as Western "James Bond journalists" who believed they had "a journalistic 007 licence

controversial domestic issues to boost their circulation.

Thus an offending foreign publication would be listed in the Government gazette, after which its sale or distribution would have to be authorised by the minister for communications and information.

tions and information.

The first publication to fall foul of the new law was Time, the US news magazine. For refusing to print, unedited, a letter from a government official criticising its coverage of new legislation concerning parliamentary discipline, the magazine was ordered last month to cut its 18,000 local circulation to 9,000 for the remainder of the year, and to 2,000 after that. 2,000 after that.

The law also makes it an offence, punishable by a fine or jail term, to sell, distribute, import or possess for sale or distribution any unauthorised

leaders and governments in South East Asia with impunity." However, Singapore's leaders already hed some fairly heavy ammunition with which to nail ammunition with which to nail the wayward journalist. The Internal Security Act of 1963 gives the administration wide powers to deal with security threats, including the ability to prohibit publication, circulation or possession of any material prejudicial to the "national interest, public order or society of Singapore."

of Singapore."

A 1964 Act prohibits publications with "seditious tendencies" and the Undesirable Pubcles and an observation of the lications Act of 1967 authorises the Government to han any publication deemed "contrary to public interest."

why the need for yet more regulations? One explanation could be that the Government was seeking a way of administering a milder "slap on the wrist" to publications it saw as persistently trying to undermine Singaporean society, without wheeling out these legislative big guns.

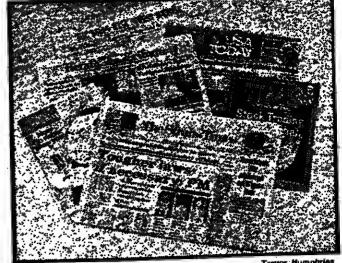
Behind all of it, though, lies the Government's epparently

unshakable belief that it and it alone knows what is best for Singapore. First Deputy Prime Minister Gob Chock Tong summed up the administration's views of journalists in a univer-sity speech last year: "We can-not have two forces trying to influence the public in different directions. If they think they've got superior views, then they should etand for election."

The local press has its own problems, though it is more concerned with restrictions of concerned with restrictions of an economic nature. Singapore Press Holdings, a group formed from the 1984 merger of Times Publishing Berhad, Straits Times Press and Singapore News and Publications, has a monopoly of the local newspaper industry. It publishes 11 daily and weekly newspapers, three in English, two in Malay and six in Chinese, together with three monthly and one bi-monthly magazine. bi-monthly magazine.

This is hy any standards a generous helping of reading matter for e population of little more than two and a half million, and there is little prospect of the group being able to expand further domestically.





Mr Sinnsthamby Rajaratnam: "freedom of the press not as an end but as means to as all-ambracing end." Right: some of the newspapers and magazines printed in Singapor

ginal 3 per cent last year but falling advertising revenue, reflecting the country's domestic recession, pushed pre-tax profits down from \$\$119m to \$\$106m. Analysts expect profits this year of \$\$98m, rising to about \$\$107m in 1987 as the wider economy recovers.

So far, SPH's attempts to expend abroed and move into other activities at home have met with little success. Its most important foreign investment, the UK partworks publisher Marshall Cavendish, has had a bumpy ride since the 1981

equisition, and after turning profitable acquisitions abroad, with e cash position of \$\$208m and strong operating tash flow, but until it does it is dikely to remain a local newspaper group with nowhere to go. Some analysts blame the group's promise at the time of the merger to seize new opportunities in the growth areas of communications and information technical strong operating tash flow, but until it does it is dikely to remain a local newspaper group with nowhere to go. Some analysts blame the group's promise at the time of the merger to directors—most of them Singapore.

So far, SPH's attempts to expend abroed and move into other activities at home have met with little success. Its most important foreign investment, the UK partworks publisher unpredictable and profits slow build.

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Glut hits rental prospects Provident Fund (CPF) savings THE FIRST things the

Property

notices about property in Singa-pore are that there is a lot of it and that none of it is very old. From the serried ranks of government-built flats with their horizonth flagpoles of washing to the towering offices, shops and hotels of the central city there appears to be an almost uniform newness that

Behind it lies an aggressive 25 year programme of housing and urban redevelopment that has banished the slums and sharty towns of the 1950s and provided most Singaporeans with comfortable self-contained housing in new towns. Today, 84 per cent of the population live in the 552,000 flats managed by the Government's Housing and Development Board.

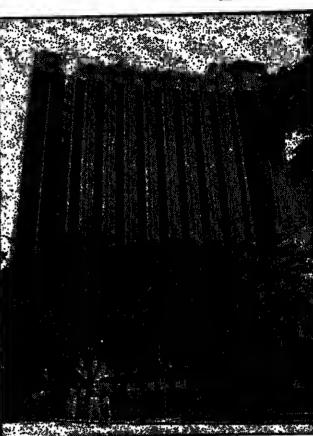
More than 400,000 of these flats are now owned hy their occupiers, through a home ownership scheme under which tenants need only make a 20 per cent down payment, with the balance payable in monthly instalments over 20 years at an annual interest rate of 61 per

cent. The Government's subsidy to e HDB, which is responsible r everything from land acquisition to the provision of community fechities, is more than \$\$100m a year. The rapid rate of construc-tion of housing for lower and

middle-income groups by the Government was more than matched in the private sector.
Construction activity grew hy
a remarkable average of 22 per
cent a year between 1980 and cent a year between 1989 and 1984, adding an average 2.3 percentage points to GDP growth each year. Growth peaked at 36 per cent in 1982. This rate of expansion was far higher than that of the economy as a whole and, according to the Economic Commit-

ing to the Economic Commit-

tee's report on the sector, retrospect, unsustaineble." The result was a property glut and a relentless decline in prices and rentals which has sent shock waves right through the economy. The Economic Committee report spells ont the danger: "Given the extent of the linkages between the pro-perty market and the rest of the economy, a total collapse of the property market would have ticular, any further drastic decline in property prices could affect the integrity of the



A boost was given to the sluggish Singapore commercial property market by the recent sale to Hong Leong Group of the 350-room Orchard Hotel for S\$39m. The Orchard, in a prime location at the centre of the bustling Orchard Road shopping area, has been profitable since its opening in 1980 and has consistently achieved occcupancy rates above the depressed average, says Chestertons Lim Oh, the agents. It was formerly owned by the now-defunct Pan Electric Group.

banking system."

The problem of oversupply resulting from the construction hoom of the early 1980s extends to all sectors of the property market—housing, offices, industrial and retail premis will take time to absorb.
Typically, the Government has moved swiftly to help counter the problem, freezing sales of its own land for building development for the next two years and stopping the sale of office space in government

This together with a package of tax and other concessions to developers and landlords, and e slightly firmer tone to the economy as a whole, went some way towards restoring confdence, if not prices, in the second quarter of this year.

Nevertheless, according to a leading estate agent, Chestertons Lim Oh, one in five of private housing units were empty in March, as was 17 per cent of office space and similar proportions of retail, warehouse and industrial property. Where demand is showing signs of revival it is restricted to where demand is anowing signs of revival, it is restricted to well-located property of good design, leading to increased differentials between this and other, leaser categories of building

Analysis now expect

Kuala Lumpur Singapore Bangkok ... 100,00 145.71 125.29 167.15 180.85 181.50 230.13 Tokyo '

residential sector to lead the long hoped-for recovery in the property market, with demand from new homemakers and the ambitions of those in govern-ment-built flats to trade up pro-

viding the impetus.

Demand is more pronounced,
says Chestertons, in the under
\$\$500,000 category, where the
problems of oversupply have not been so acute. A noticeable improvement came in April when buyers were better able to calculate the debt they could afford to service following the amouncement of new rates for the Government's Central

The rental side of the resi-

The rental side of the residential market remained weak, though, relying as it traditionally does on expatriates, many of whom have been forced to return home by the

forced to return home by the contraction in the job market which has accompanied the general recession. Evidence of private developers' determination to stem the flow of new houses on to an already overcrowded market came in a drastic slow-down in housing completions for the first half of 1986 to 1,026, compared with the 1983-85 half year average of 2,083. glut of office space

caused by the completion of substantial new buildings—an additional 168,000 square metres in the year to March — has been considerably exacerbated by the hardening of the economic climate. More ones took their place, and existing tenants occupied less space and drove very hard bargains over rents. In many cases, rents were halved compared with their 1982 levels. The supply of new office pace dropped by 45 per cent in the second half of last year as fewer new projects were launched and the completion dates of building in progress were put back.

The shattered nerves of landlords, caught between a cut-throat price war and pressure from their lenders, were steadled somewhat by fiscal adjustments and the introduction of generous tax incentives for foreign com-panies setting up operational headquarters in Singapore. Much of the limited demand which has begun to reappear in 1986 is from existing tenants taking advantage of bargain cents and switching to better locations, notably in the smart new Raffles Place development. Such movement has no impact, though, on the

has no impact, though, on the 480,000 square metres of office space which remained vacant et mid year.

Prices of office space in the past year ranged between \$\$4,840 and \$\$5,160 per square metre for the best locations and as little as \$\$1,884 to \$\$2,123 at the lower end, reflecting in some cases sales where the vendor bad little choica. Rents ranged from \$\$14 per square metre per month to \$\$54.90.

The picture in the retail sector was much the same, with fairly hrisk take up of new premises in some of the city'e imaginative new shopping centres, particulerly around the Orchard Road strip, at the cost developments.

developments.

Prospects for the medium

term future in the property market remain dull. But at least the panic is over. Developers and landlords feel they have come through the worst and the banks know where their customers' problems lie; nasty surprises will be few. nasty surprises will be few.
There is a general feeling that
the economy is about to pick
itself up and get going again.
Sooner or later property prices
will follow it.

Roger Beale

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সমূহ হৈছে । এন উন্ন সমূহ সাম্বাহ প্ৰত্যাহ কোনা হৈছে কুন্ধাই হাৰ্যমোন্ত্ৰা প্ৰন্যাল প্ৰথাক্ষালাক্ষ্যনেও।



Building and Construction activities

		(S\$m) Contracts awarded		Certified Pay			
	Total	Public	Private	Total	Public	Private	
	2.484	1,985	499	2.182	1,319	863	
1984 (First qtr)	4 PEA		387	2,182 2,198	1,318	888	
(Second qtr)	1.498		449	2,077	1.280	797 826	
(Third qtr)			159	2,046	1,280 1,229	826	
(Fourth qtr)	1.239		206	1,810	1,082	728	
1985 (First qtr)			188	1,660	1,062	598 527	
(Second qtr)	697		155	1.665	1,138		
(Third qtr)			135	1,512	1,629	483	
(Fourth atr)	1.397		26	1,231	987	344	
1986 (First qtr) (Second qtr)	250		51	1,348	1,087	311	

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